

**DEPARTMENT OF DEFENSE AUTHORIZATION FOR
APPROPRIATIONS FOR FISCAL YEAR 1995 AND
THE FUTURE YEARS DEFENSE PROGRAM**

HEARINGS

BEFORE THE

**COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE
ONE HUNDRED THIRD CONGRESS**

SECOND SESSION

ON

S. 2182

**AUTHORIZING APPROPRIATIONS FOR FISCAL YEAR 1995 FOR MILITARY
ACTIVITIES OF THE DEPARTMENT OF DEFENSE, FOR MILITARY CON-
STRUCTION, AND FOR DEFENSE ACTIVITIES OF THE DEPARTMENT OF
ENERGY, TO PRESCRIBE PERSONNEL STRENGTHS FOR SUCH FISCAL
YEAR FOR THE ARMED FORCES, AND FOR OTHER PURPOSES**

PART 1

**MILITARY POSTURE
UNIFIED COMMANDS
SERVICE SECRETARIES
BOTTOM-UP REVIEW
SERVICE CHIEFS
DEPARTMENT OF ENERGY
MILITARY STRATEGY**

FEBRUARY 8; MARCH 2, 3, 8, 9, 15, 23; APRIL 20, 1994



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**DEPARTMENT OF DEFENSE AUTHORIZATION
FOR APPROPRIATIONS FOR FISCAL YEAR
1995 AND THE FUTURE YEARS DEFENSE
PROGRAM**

TUESDAY, FEBRUARY 8, 1994

U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

MILITARY POSTURE

The committee met, pursuant to notice, at 2:33 p.m., in room SH-216, Hart Senate Office Building, Senator Sam Nunn (chairman) presiding.

Committee members present: Senators Nunn, Exon, Levin, Bingaman, Glenn, Byrd, Graham, Robb, Lieberman, Thurmond, Warner, Cohen, McCain, Lott, Coats, Smith, and Kempthorne.

Committee staff members present: Arnold L. Punaro, staff director; Andrew S. Effron, general counsel; Richard DeBobes, counsel; and Julie W. Kemp, research assistant.

Professional staff members present: John W. Douglass, Richard D. Finn, Jr., Creighton Greene, Patrick T. Henry, William E. Hoehn, Jr., David S. Lyles, Michael J. McCord, and Jeffrey Record.

Minority staff members present: Richard L. Reynard, minority staff director; Romie L. Brownlee, deputy staff director for the minority; Donald A. Deline, minority counsel; Christine K. Cimko, press secretary; Charles S. Abell, Jonathan L. Etherton, George W. Lauffer, Joseph G. Pallone, and Steven C. Saulnier, professional staff members.

Staff assistants present: Shelley E. Gough, Cindy Pearson, Christina D. Still, and Mickie Jan Wise.

Committee members' assistants present: Andrew W. Johnson, assistant to Senator Exon; Richard W. Fieldhouse and David A. Lewis, assistants to Senator Levin; Steven A. Wolfe, assistant to Senator Kennedy; John P. Gerhart, assistant to Senator Bingaman; Phillip P. Upschulte and Suzanne M. McKenna, assistants to Senator Glenn; Terence M. Lynch, assistant to Senator Shelby; C. Richard D'Amato, Melvin G. Dubee, and Lisa W. Tuite, assistants to Senator Byrd; Kevin Monroe, assistant to Senator Graham; Jeremiah J. Gertler, assistant to Senator Robb; John F. Lilley, assistant to Senator Lieberman; Randall A. Schieber, assistant to Senator Bryan; Robert J. "Duke" Short, assistant to Senator Thurmond; Judith A. Ansley, assistant to Senator Warner; James M. Bodner, assistant to Senator Cohen; Ann E. Sauer and Christopher

J. Paul, assistants to Senator McCain; Samuel D. Adcock, assistant to Senator Lott; Pamela G.D. Sellars, Richard F. Schwab, and David J. Gribbin, assistants to Senator Coats; Thomas L. Lankford, assistant to Senator Smith; Glen E. Tait, assistant to Senator Kempthorne; and Christopher E. Rozek, assistant to Senator Faircloth.

OPENING STATEMENT OF SENATOR SAM NUNN, CHAIRMAN

Chairman NUNN. The committee meets this afternoon to receive testimony from Secretary Perry and General Shalikashvili on the fiscal year 1995 defense budget and the fiscal year 1995 to 1999 future years defense program.

Dr. Perry spent a lot of time with the committee last week, but I want to note this is his first testimony officially as Secretary of Defense and we welcome you in that new capacity. I know that you had a busy weekend. You were in Europe and I understand that you had a little trouble with your plane and had to get Senator Cohen to divert to come pick you up in England. Senator Cohen is, of course, one of the great members of our committee and has been to the Wehrkunde Conference many times, but knowing his capacity for leveraging and negotiations, we are going to be looking carefully as to whether you open back up Loring Air Force Base. [Laughter.]

And also how many Aegis destroyers are going to be built at Bath Shipyard this year.

Senator COHEN. Mr. Chairman, you have no idea of the leverage I exercised.

Secretary PERRY. That is just a secret between Senator Cohen and myself.

Chairman NUNN. We will be looking at the budget closely in those particular areas.

This is also the first military posture statement that General Shalikashvili will present to the Congress as Chairman of the Joint Chiefs and the first time he has testified as Chairman, although we have had him here many times before in other important capacities.

We welcome both of you here this afternoon. The country is, indeed, fortunate to have the two of you in charge of our defense establishment. You have each had terrific experience and your careers will stand you well in terms of what you undertake now.

As Congress begins the debate on the administration's fiscal year 1995 budget and the future years defense program, I think it is important to put the defense budget in context. Fiscal year 1995 will be the 10th consecutive year the defense budget will decline in real dollar terms. Since 1985 the Defense Department's purchasing power has been reduced by 33 percent, or one-third. Under this budget by fiscal year 1999, the defense budget will decline by an additional 10 percent in real terms. We have 9 consecutive years of real decline in the defense budget behind us and we are looking for 5 more years of real decline in defense in front of us. We are really talking about 14 years, by the time we get to 1999, of decline in the defense budget each and every year.

Since fiscal year 1990, Defense Department manpower, that is, Active duty personnel, Reserve components, civilian personnel, has

been reduced by 750,000 people. The fiscal year 1995 budget will bring an additional reduction of over 180,000: 86,000 Active duty personnel, 46,000 National Guardsmen and reservists, and 50,000 DOD civilians. This means that 15,000 positions in the Department of Defense will be eliminated each month during fiscal year 1995.

Investment in research and procurement of new weapons has also been cut back dramatically. The fiscal year 1995 budget request of \$43 billion for procurement is the lowest level since 1950 in real dollar terms and represents a decline of 53 percent in just 5 years. The economic impact of this reduction in defense investment, coupled with the increasing number of base closings in the next several years, is being felt and will be felt in towns and communities across the whole country.

When people ask me—and they frequently do—when the defense budget is going to be cut, and when the peace dividend is going to happen, the answer is that it has been happening. It continues to happen and we are getting the dividend out of this by reason of deficit reduction and also shifts to other programs. That is an ongoing process, but sometimes that word does not really get understood.

In my view, it is essential that Congress follow the President's request in his State of the Union Address and not cut the defense budget any further than he has requested.

This is going to be a very difficult year because the discretionary caps for fiscal year 1994 through 1998 that went into effect last year will put enormous pressure on the entire discretionary budget which includes, but it is not limited to, defense, and that means that defense will be increasingly pitted against other programs. These caps put us in a zero sum game this year. Any increase in discretionary spending must be offset by decreases in other discretionary programs, again including, but not limited to, defense.

We also face the prospect of rescissions and we also will be deciding on a balanced budget amendment that could affect defense programs. That will be taken up shortly after we return in February.

With the reductions that have already been made in defense spending and with the continued reductions facing the defense budget in the future, I believe we must eliminate the temptation to cut the defense budget to increase spending for non-defense programs beyond what the President has already requested. If savings can be made below the President's request in the defense budget in any particular year, whether they are programmatic savings or savings that are identified in the appropriations process, I believe these savings should go to reducing the deficit. I hope the Congress will agree to reinstate the fire walls between defense and non-defense discretionary spending when we take up the budget resolution in the coming months. Senator Domenici and I and others—I am sure some on this committee—will be joining together to try to reestablish those fire walls which will not prevent defense spending from being cut, but it will ensure that if defense spending is cut below the President's budget, that it will not be simply shifted into other programs, but will go to deficit reduction.

This fiscal year 1995 defense budget and the future years defense program are based on the Bottom-Up Review initiated by Secretary Aspin last year. That review was not completed until September of

last year as the congressional debate on the fiscal year 1994 defense authorization and appropriation bills were coming to a close. As a result, Congress has not had an opportunity to closely examine the assumptions underlying the force levels recommended in the Bottom-Up Review. I believe we need to look carefully at the underlying assumptions in the Bottom-Up Review in the coming months.

As the committee reviews the 1995 budget and the future years defense programs, I think there are two key questions that we must ask. First, are the force levels contained in the Bottom-Up Review capable of carrying out the full range of missions called for in that Bottom-Up Review, including prevailing in two nearly simultaneous regional contingencies, sustained forward presence, and expanded peacekeeping operations? Second, are the funding levels contained in the fiscal years 1995-1999 future years defense program adequate to fully support and maintain the force structure in the Bottom-Up Review? That question is particularly important in light of the fact that this future years defense program is underfunded by \$20 billion now in terms of the fiscal year 1995 to fiscal year 1999 budget based on current inflation assumptions. In other words, we already start out \$20 billion behind by DOD's own figures.

Dr. Perry and General Shalikashvili, we welcome you here today. Before we get your statements, we will ask Senator Thurmond for any comments he would like to make.

Senator THURMOND. Thank you, Mr. Chairman.

Mr. Chairman, I join you in welcoming Dr. Perry and General Shalikashvili here this afternoon.

A week ago we had the opportunity to question Dr. Perry as the President's nominee during his confirmation hearing. I am delighted that he is here this afternoon as the Secretary of Defense. Dr. Perry, I congratulate you on your confirmation. I look forward to continuing our discussions of issues critical to our national defense. General Shalikashvili, I am delighted that we have the opportunity to have you join in the dialogue in this, your first posture hearing.

I intend to focus my remarks this afternoon on two themes: the budget and our national military strategy. Ten months ago, Secretary Aspin testified at the fiscal year 1994 posture hearing that the Clinton defense plan was a new strategy and new forces for a new era.

Subsequently, the Defense Department delivered the findings of its Bottom-Up Review, which was an attempt to arrive at the appropriate level of military forces in the post-Cold War world. Unfortunately, the Bottom-Up Review left many questions unanswered.

I believe the time has come for a reassertion of first principles that must undergird national security planning and budgeting. The administration's national security team needs to clarify the enduring foreign policy principles and the vital national interests which must be protected with military power in this new era. Then they should assess hostile capabilities which may become threats to those interests. At that point it is possible to define the forces, capabilities, and technologies that we need to counter those threats and safeguard our interests.

Without a clear understanding of these fundamentals, we will be unable to answer basic questions that are increasingly dividing the Congress and undermining public support of national defense. What is the role of the U.S. military forces? When should we intervene in a conflict or go to war? Unless we have some consensus and can clarify these fundamentals, we are operating in a vacuum.

In the State of the Union Address, the President said, "Nothing is more important to our security than our Nation's Armed Forces." He went on to say, "We must not cut defense further." I support the President's pledge to maintain our Nation's security and will work to ensure we achieve and maintain the best military in the world.

People, force structure, and bases are popular sources of finding funds when the Department struggles to support expensive weapons system within the budget. While these sources may yield short to mid-term savings, they may create long-term risks. We must ensure that we remember the lessons of previous drawdowns and maintain our capability to win the next unexpected conflict. Such a conflict will surely come and we must be prepared to decisively win, whenever and wherever it is.

We must attract, train, and keep the finest of our youth. Our forces must be ready and robust as a visible deterrence. We need to be innovative and consider options such as putting bases with irreplaceable assets, or that occupy key real estate, in a rest or standby status instead of disposing of them for substantially less than their value.

We must avoid actions based solely on short-term cost data while ignoring the less tangible investment potential. An example of such a short-sighted action would be the closure of the Uniformed Services University of the Health Sciences. This is a national resource in health care, medical research, and education and should be retained.

There are many other examples I could cite, but the message is we can be penny wise and pound foolish if we are not careful.

Thank you, Mr. Chairman. Thank you, gentlemen. Glad to have you.

Chairman NUNN. Thank you, Senator Thurmond. Dr. Perry.

**STATEMENT OF HON. WILLIAM J. PERRY, SECRETARY,
DEPARTMENT OF DEFENSE**

Secretary PERRY. Mr. Chairman, Senator Thurmond, committee members, while this is the second defense budget which the Clinton administration has proposed to this committee, it is the first time that we have been able to propose a budget where we have had the opportunity to develop it from scratch. It is also the first time we have had the defense budget presented since we completed a Bottom-Up Review. This does represent in many ways the first comprehensive post-Cold War budget, and for that reason, instead of presenting to you today a detailed set of figures and charts and programs, all of which you have in the documents submitted to you with the budget, I thought it would be more appropriate to go through the strategy underlying the preparation of this budget.

When I testified to you during my confirmation hearings, I stated that one of the most important tasks of the Secretary of Defense

was to prepare and present the annual defense budget. By listing this as a most important task, what I meant was that the determination of priorities, the determination of how the fiscal resources fit the strategy is one of the most crucial decisions which the Secretary of Defense has to make. Therefore, I would like to share with you today the strategy that we went through in determining the particular budget decisions reflected in this document. I have prepared a dozen or so charts to help me illustrate this to you, and with your permission I will ask that my written statement be entered into the record and I will give you an oral presentation of the highlights of it.

Chairman NUNN. Without objection, it will be admitted into the record.

FY 1995 BUDGET

- Implements the Bottom-Up Force Structure
- Protects a Ready-to-Fight Force
- Redirects Modernization Program
- Starts Doing Business Differently
- Reinvests Defense Dollars

Secretary PERRY. On this first chart, I list the five primary objectives that I had in putting this budget together. I will briefly describe each of these to you and then take each one of them one at a time and tell you the principal factors that went into our judgment as to how much resources that could be put for each these.

The first one is this budget continues the implementation of the force structure which is called for in the Bottom-Up Review, and I will explain that to you in more detail as we go along.

The second one is this budget maintains high readiness of the forces. It protects our objective of achieving a ready-to-fight force.

The third task we had of this budget is redirecting our modernization program. You will see when I come to a description of this part that we have had in many ways the most dramatic changes in our modernization program of almost any budget I have ever been associated with.

The fourth objective was to begin doing business differently. We are required to do business differently by the very dramatic drawdowns that are going on in the defense budget and by the different strategic needs which the Defense Department has today.

Then finally I will describe to you how, when all of this is put together, there is some money available for reinvestment in the economy outside of defense.

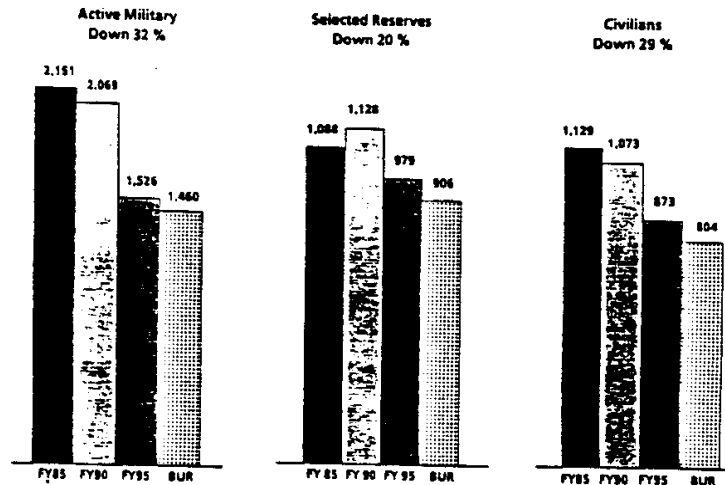
Let me go on to the first point, which is the force structure.

Force Structure

	<u>Cold War Base 1990</u>	<u>Base Force</u>	<u>1995</u>	<u>BUR PLAN</u>
Land Forces				
Army Active Divisions	18	12	12	10
Army Reserve Component Divisions	10	8	8	5 +
Marine Corps (3 Active / 1 Reserve)	4	4	4	4
Navy				
Ship Battle Forces	546	430	373	346
Aircraft Carriers				
Active	15	13	11	11
Reserve	1	-	1	1
Navy Carrier Wings				
Active	13	11	10	10
Reserve	2	2	1	1
Air Force				
Active Fighter Wings	24	15.3	13.0	13
Reserve Fighter Wings	12	11.3	7.5	7

This is a chart you have seen before. I just put it here to remind you that the force structure called for in the Bottom-Up Review required a major drawdown of U.S. forces, for example, from 18 Active Army divisions to 10 Active Army divisions. In the 1995 budget, we carry that down to 12 Active Army divisions. So, we are nearly at the end of the drawdown for the forces. In the case of the Air Force, we are going from 13 Active fighter wings and 7½ reserve fighter wings where we are in the 1995 budget. We are almost at the final goal of the Bottom-Up Review. So, for different components of our forces, we are either already at the goals called for in the Bottom-Up Review or we are nearly there.

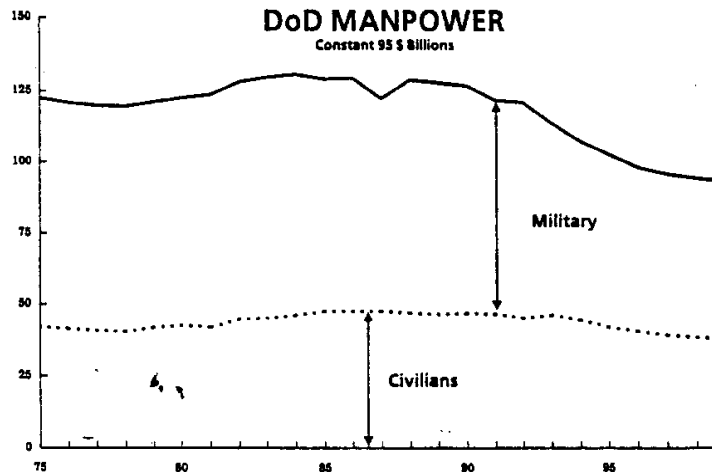
MANPOWER LEVELS (End Strengths in thousands)



Now, if I translate that into the effect on personnel—men and women—in the Armed Forces, this chart shows you how the drawdown has translated into the personnel figures. The first column, the red column, was the number of active military back in fiscal year 1985. We see the number. It is something over 2.1 million. The yellow chart shows you what this budget takes us to which is down to about 1.5 million, and the green are the goals of the Bottom-Up Review, 1.46. There are similar charts here for the selected reserves and the drawdown in civilians in the Defense Department.

I want to make two points about this chart. The first is that the drawdown, while it has been deep, amounting to approximately 30 percent, has been gradual over a sustained period of time so as to minimize the turbulence that personnel drawdowns always effect in any organization. So, it has been a gradual sustained drawdown. When we went from the Bush and Cheney base force program to the present one, we went to deeper cuts, but we maintained the same rate of cut per year as was in that base force adjustment for this reason of avoiding turbulence.

The second point which is obvious from this chart is that we are almost at the end of the drawdown, and that is good news, indeed, for the men and women in the Armed Forces and the leaders who have to deal with the turbulence caused by this drawdown.



These changes in personnel now affect, of course, our fiscal needs. This next chart shows how the requirements for funds have diminished as we bring this force down. I want to make several important points in this chart.

This represents the cost of civilian manpower and the cost of Active duty military. I would note that at the peak of the budget which was in the late 1980s to the end of the drawdown reflected in this curve, there is a decrease in cost of about \$36 billion. So, that is the savings that is represented fiscally by the reduction in personnel, very substantial savings.

I want to make one other point which I will get back to when I describe the readiness situation, which is during the late 1970s when our total budget in real terms was approximately equal to today's budget, we had personnel costs approximately equal to the personnel costs during the peak in the mid-1980s. That is to say, that the defense administration during this period made the judgment that even with the smaller defense budget they had to work with, that they should sustain force structure and personnel. We have made an opposite judgment. We have elected to bring the force structure and bring the number of personnel down in order to save money to do other things.

PRIORITY ON READINESS

- While Force Structure is Down 7%,
O&M Funding Increases 5.6%
- Budget Fully Funds Service Optempo
- While Weapons Inventories Shrink,
Depot Maintenance Funding Increases 20%
- Steady Budget Levels for Recruiting

Now, the other things will be represented, first of all, by the next chart. This gets now to the question of readiness. Our strategic judgment was that we could maintain an adequate defense capability with a smaller force if we maintained it at a high state of readiness. I want to show you some of the figures here which reflect what we are trying to do to maintain readiness.

All of you, particularly those of you who have traveled to military bases, hear stories and read anecdotes about declines in readiness. Some of us have even heard stories about how airplanes sometimes lose engines and have to come down and land prematurely. What I would like to do is point out to you that while as the Secretary of Defense I cannot go out and fix the engine, what I can do is allocate resources to the services so they can adequately deal with the readiness problem.

This represents a manifestation of what I am saying about that. Secretary Aspin and I have said readiness is our top objective; it is our first priority. I will show you today the reality behind that rhetoric.

First of all, while this force structure reflected here from last year to this is down 7 percent, our O&M funding is projected to increase 5.6 percent. This is a concrete manifestation of our determination to support readiness.

Second, this budget fully funds all of the operational tempo funds which the services requested.

Third, even though we have fewer weapons today than we had last year or the year before, we have increased depot maintenance funding 20 percent. This deals directly with the issue of maintaining the readiness of our equipment in the field.

And we have maintained a steady budget for recruiting. That budget had declined a few years ago. We brought it up last year to a higher level and we are sustaining it in this budget because we feel that the input of young, capable people into the Armed Forces each year is crucial to long-term readiness. So, all of these actions have been reflected in this budget.

ANNUAL OPERATING RESOURCES PER UNIT

(1993 = 100)

	<u>FY 1993</u>	<u>FY 1994</u>	<u>FY 1995</u>
<u>Combat Battalions</u>			
• Army	100.0	102.5	114.0
<u>Ships</u>			
• Navy	100.0	108.1	110.7
<u>Primary Authorized Aircraft</u>			
• Air Force	100.0	109.3	111.7

Let me show you another way of representing this. In this chart I have taken one very crude measure of the way we are applying our budget to dealing with readiness problems. I want to hasten to tell you that there is no simple measure of readiness. It is a very complex issue, but this can give you some feeling at least of how we are applying dollars to the problem. This shows you for the fiscal year 1993, fiscal year 1994, and fiscal year 1995, the relative increase with fiscal year 1993 as the baseline which we put at 100 in each of these cases.

This shows you that for the O&M dollars in the Army, if you divide it by the number of combat battalions, that ratio has increased 14 percent over the last 2 years, that is, O&M dollars spent per combat battalion. It has increased 11 percent, O&M dollars spent, for ships in the Navy, and it increased 12 percent, O&M dollars, for aircraft in the Air Force. This is one very broad handle we have on how we are applying a priority to funding readiness.

OPERATION AND MAINTENANCE

Costs Per Military End Strength

(1993 = 100)

	<u>FY 1993</u>	<u>FY 1994</u>	<u>FY 1995</u>
• Army	100.0	96.9	109.4
• Navy	100.0	104.5	109.1
• Air Force	100.0	107.3	117.1

This next chart will show you a different way of looking at readiness. Take the same, O&M—operation and maintenance—dollars and for 1993, 1994, and 1995, we take the total dollars allocated to that and divide it by military end strength, Army, Navy, and Air

Force. So, this is O&M dollars per person in the Armed Forces. That shows that it has increased 9.4 percent for the Army, 9.1 percent for the Navy, and a whopping 17 percent for the Air Force.

These are the judgments, first of all, that I made of how much money to put into the O&M out of the various budget categories that were competing for it, and then these reflect further the judgments which the services made on how to allocate their money in readiness. So, I submit to you today that this budget represents a serious and a concrete manifestation of the priority we have stated to maintaining the readiness of the forces. I would also point out to you that those resources came primarily from the dollars that we saved by reducing the force structure. That was the tradeoff.

Now, going back to the late 1970s, which I already alluded to earlier in testimony, in the late 1970s we made the opposite judgment. We made the judgment that we would maintain force structure and reduce the expenditures on operation and maintenance. That led to the famous hollow force of the late 1970s, and that is an inevitable conclusion from making that judgment. We are making the opposite judgment. We are cutting the force structure but increasing the amount of money we are spending on operation and maintenance.

BUR--ESSENTIAL MODERNIZATION PROGRAM SUSTAINED

- Sustain Strong Science & Technology Base
- Continue Investment in Next Generation Weapon Systems
- Refocus Ballistic Missile Defense Program
- Sustain Strong Intelligence Program
- Preserve Key Elements of Industrial Base That Would Otherwise Disappear

Now, I want to shift to modernization. Dr. Deutch, when he was putting together his modernization program, was emphasizing five different points, and I want to emphasize these to you and tell you what the fiscal consequences are.

First of all, we have to sustain a strong science and technology program.

Second, while we are continuing to invest in next generation systems, these are very selected systems. You will see a dramatic and continuing reduction in the procurement account because we are not buying very many systems.

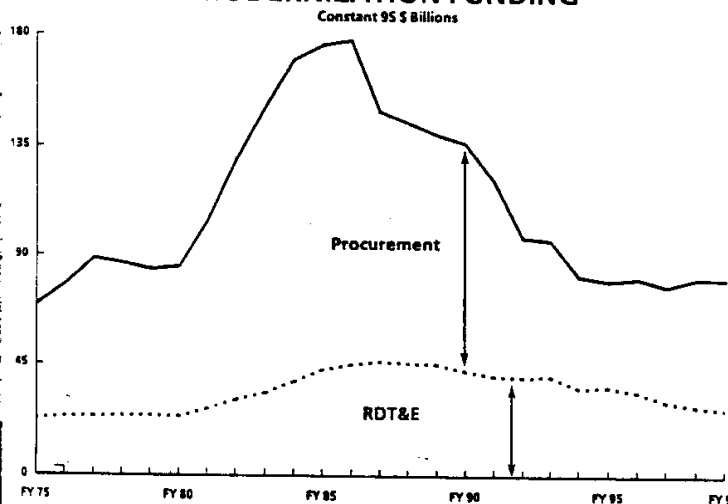
Third, we have refocused our ballistic missile defense program to focus on the near-to-medium term requirement for getting a theater missile defense system developed, built, and deployed rather

than continuing research and development in a wide variety of BMD technologies.

Fourth, we believe it is critically important to maintain a strong intelligence program. Even as we left the Cold War, even subsequent to leaving the Cold War, we are facing intelligence needs and intelligence requirements in countries all over the world. This is not the time in our judgment to be making major cuts in our intelligence program. So, we have supported in our defense budget a strong intelligence program.

Finally, we have selected a few key elements of the industrial base and argued that we must maintain those or otherwise they would simply disappear and the country would lose the ability to develop and produce those kinds of equipment. This decision, by the way, of maintaining selected elements of the industrial base is one that has been widely criticized. I am prepared to defend that decision before this committee because it is one that I feel strongly about. I will repeat to you again points that I have made in earlier testimony to you that the decision to protect certain elements of the industrial base is only intended for a very few highly critical segments of the base. It is not a company bail-out program. It is directed to maintaining for the Defense Department these critical capabilities.

MODERNIZATION FUNDING



Now, let us go on to look at some of the fiscal implications of this. I think this is a very dramatic chart. It represents from fiscal year 1975 to the end of the century, that is, over a 25-year period, the ebb and flow of our R&D dollars and our procurement dollars. These are all stated in constant 1995 dollars so that you get a picture of real spending here. The inflationary effects have been taken out.

First of all, let us look at R&D. We see some decline in R&D spending from the peak in the mid-1980s, but it is a very gradual decrease and I would point out to you that R&D is still a substantially larger number than back in the late 1970s. This is perhaps 25 percent higher than it was in real terms during the late 1970s. During the late 1970s, this R&D budget was being used to develop nearly all of the major weapon systems which were used in Desert Storm. So, we have a clear proof that with an R&D budget of this size, we can sustain a robust defense R&D program and get substantial results out of it. The R&D dollars in this budget we are submitting today are higher than the R&D funds we spent in the late 1970s. So, this represents the judgment that we must sustain our R&D base.

The procurement curve is really the dramatic one here. It shows us reaching a peak in procurement in fiscal year 1986 and then a precipitous decline from that point to the present point of fiscal year 1995. The rationalization for this decline comes in two different categories.

First of all, with the decline in the size of our force, we have a reduced need for ships and airplanes and tanks and other elements. Therefore, we can make a reduction just on that basis alone. But it is also true that in a transition period, when we are going from the larger force to the smaller force, we can get even more savings from the budget because we have excess inventory which we can live on for a few years into the future.

Let me give you a simple example of that. We maintained approximately 90 nuclear attack submarines during most of the Cold War, during the latter part of the Cold War. A nuclear attack submarine has perhaps a 30-year life. So, by simple arithmetic, you can see if you want to sustain 90 nuclear submarines for the indefinite future, you must be building approximately 3 per year, which indeed is what we were doing.

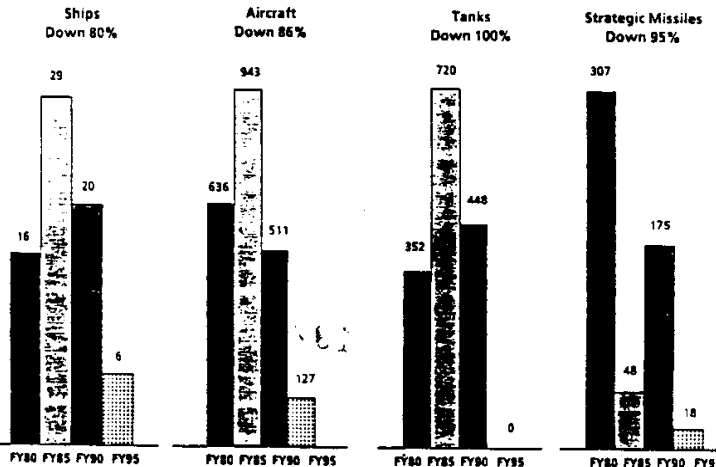
Now, in our Bottom-Up Review, we bring that number down to something closer to 45 submarines. That means that over the long term, over the steady state, you would need to be building about one and a half submarines a year or three submarines every 2 years. At some time in the future, we will converge to that kind of a production rate. But in the meantime while you are coming down, you do not have to be building any or you could be building many fewer because you have this excess inventory that has accumulated, and you can do that and still maintain modern equipment in the force.

Now, that is reflected in this program in the following way, that we can make steep cuts and did make steep cuts in procurement during this period of build-down by the compounded benefit of those two effects that I described to you, but there will come a time when we have used up that excess inventory and then we will have to start building at higher rates than we are now building. So, while our procurement budget is very low today—it is about one-third of what it was during the peak spending in the mid-1980s—it will have to come up again within a few years. The 5-year plan we are submitting to you carries this reduction down for another 2 years and then starts a substantial increase in procurement to

accommodate the fact that we will have to start building the next generation systems after that.

So, this is a complex issue and this curve represents, as well as anything I could think of, a depiction of these multiple phenomena that are taking place here.

HISTORICAL PROCUREMENT DATA



This chart dramatically shows you how procurement has changed over the last decade. Here we are at fiscal year 1985, the blue column, and this represents the number of ships, the number of aircraft, the number of tanks, and the number of strategic missiles we were building that year. You see these very high numbers for the production in those years.

Now, if we go down to fiscal year 1995, the green column, you see that we are going from 29 to 6 ships in the budget we are submitting to you today, from 943 to 127 aircraft, and from 720 to 0 tanks. So, these are dramatic decreases in procurement and they result from both of these effects which I have described to you.

I will make one other point with these very deep cuts in procurement. We do have to maintain the defense industrial base on items that are defense critical. We have already discussed how we are doing that in the attack submarine area, which is we propose to build another *Seawolf* submarine even though we do not need it strictly for fleet deployment purposes. We are building it primarily because we want to sustain the capability to build attack submarines.

In the case of the tanks, where we are down to zero, we are sustaining the industrial base for tanks by taking a large part of our M-1 tank force and modernizing them, upgrading them to a more capable and much more effective M-1A2 tank. Even though we are not building new tanks, that activity will sustain a critical part of our tank industrial base.

DOING BUSINESS DIFFERENTLY

- Launches Campaign to Streamline Acquisition Process
- Launches Effort to Reform Financial Management System
- Provides Funding for Base Closures and Aid to Communities Losing Bases
- Provides \$5.7 Billion for Environmental Restoration and Pollution Prevention

This now gets me to the point of doing business differently. I remind you that I have just explained that in the last few years of our budget we will have to start increasing our expenditures on procurement. In order for us to do that within the budget lines that have been presented to you, we will have to do our business more efficiently. I have talked to this committee before about the need for acquisition reform, and you have talked to me about the need for acquisition reform. So, we are in agreement that this has to be done, and I have it number one on the list of requirements of doing business differently.

I wanted to put it in a fiscal context now, though. If we do not succeed in these reforms, we will not have the funds in our budget to raise our procurement budget as we are now scheduled to raise it in the out-years.

Second, we have to reform our financial management system. Senator Glenn pointed out during my confirmation hearing the inadequacies of this system, and these inadequacies not only cause us embarrassment, they cost us money. So, we have to reform this system in order to save that money in the out-years.

Finally, you have all been working on the problem of base closures and suffering with the consequences of base closures. In order to have the resources in the out-years to do the things we need to do for readiness and for procurement, we have to reduce our infrastructure, our overhead, and that is what the base closure issue is all about.

I would remind you that in all three of these cases, there not only is no near-term savings—that is, there is no savings really reflected in our fiscal year 1995 budget for these, but quite the opposite. Each one of these has a front-end investment. Each one of them has some cost associated with it the first year, in some cases the first 2 years. Therefore, the savings from these three items all occur in the last 3 years or so of the budget which has been submitted to you, not in the first year or 2. But I have a strong conviction

that it is critical for us to make the investment this year and some next year in order to get the benefits over the longer term.

Finally, I have a point here about the environmental restoration. In this budget there is almost \$6 billion being expended for environmental restoration which we are required to do in compliance with laws and regulations.

I also note we have a pollution prevention program underway. The purpose of that pollution prevention program and the reason I put it on this chart of doing business differently is if we can achieve our objectives in pollution prevention, then we are heading off these kinds of costs in the out-years of our budget. So, it is not only crucial for us to do the cleanups we are required to do, but it is crucial for us to do business differently so we are not creating that problem for the people who succeed us in the Defense Department.

DEFENSE REINVESTMENT AND ECONOMIC GROWTH INITIATIVES

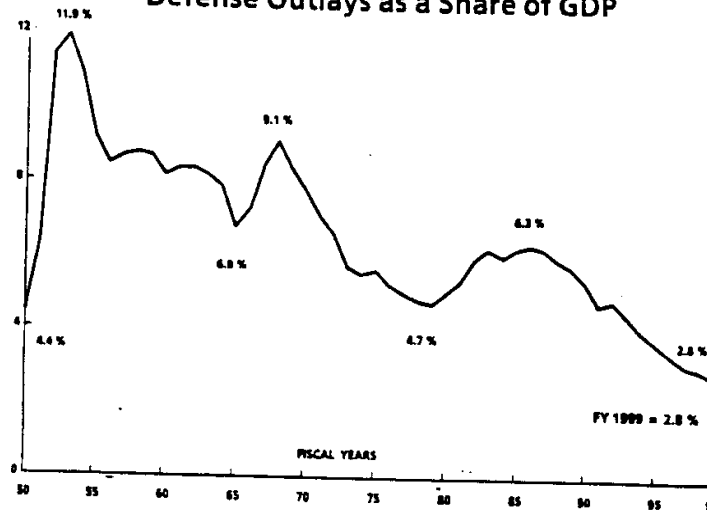
(\$ in Billions)

	<u>FY 1995</u>
Dual Use Technology Investment	2.1
Personnel Transition Assistance	1.0
Community Assistance	<u>0.2</u>
Total DoD Programs	3.3

When all of this is done, then there are some modest savings which we use for what I call defense reinvestment. In this budget we have reflected a little over \$3 billion for this defense reinvestment. A big portion of that is for the so-called dual use technology investment, that is, expending R&D dollars to advance technology of use to defense, but putting a special focus on those technologies which can also be used to help our commercial economy. The premier example of this is the technology reinvestment program, and in the budget which we submitted to you today, there is a scheduled increase in the technology reinvestment program and there will be continued investments in the technology reinvestment program in all of the years in this budget submission.

This is a rather small part of the reinvestment. Let me show you the major part of it on this next chart.

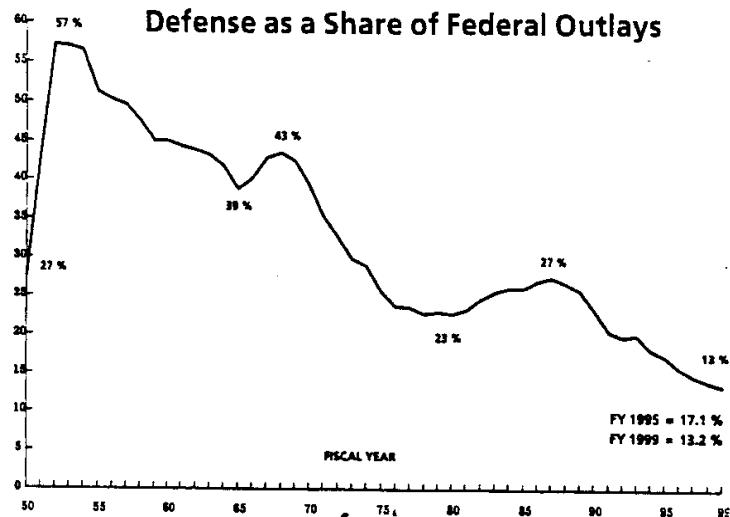
Defense Outlays as a Share of GDP



This deals directly with Senator Nunn's point about peace dividends and whether we have achieved any peace dividends to speak of today.

This reflects in constant dollars the percentage of the gross domestic product which the defense budget is. That shows you that at its peak in the mid-1980s, the Defense Department took up over 6 percent of the gross domestic product. At the end of this future years defense program submitted to you, it will be down to 2.8 percent. In fiscal year 1995, this coming year, it will be 3.7 percent.

What this chart tells you is that we have taken this enormous sum of government money and made it available for reinvestment either in other programs or in deficit reduction basically cutting by about half the extent of the defense budget as a part of the gross domestic product.



This represents the same defense figures now reflected as a percentage of Federal outlays. Here we see from the peak, going back to the Korean war era where the defense budget was 57 percent of the Federal budget, to the Vietnam war when it was 43 percent of the budget, to the peak of the Cold War, the Reagan era, when it was 27 percent of the Federal budget, the defense budget in this budget that we are submitting to you today goes down to 13 percent of the Federal budget. This is a dramatic example I believe of the peace dividend which people have talked about.

NATIONAL DEFENSE TOPLINE (Current \$ Billions)

	1994	1995	1996	1997	1998	1999
BUDGET AUTHORITY						
DoD Military	249.0	252.2	243.4	240.2	246.7	253.0
DoE & Other	11.9	11.5	11.9	11.8	12.0	12.1
Total National Defense	260.9	263.7	255.3	252.0	258.7	265.1
% Real Change	-9.0	-0.9	-5.9	-4.0	-0.2	-0.3
OUTLAYS						
DoD Military	267.4	259.2	249.1	244.6	244.7	245.5
DoE & Other	12.5	11.5	11.9	11.8	11.9	12.0
Total National Defense	279.8	270.7	261.0	256.4	256.6	257.5
% Real Change	-6.0	-5.2	-6.4	-4.5	-2.7	-2.4

Now let me go to the summary chart. First of all, all of these programs I have talked about and the strategies and the priorities, when we finally aggregate them, they come down to a budget authority requested in fiscal year 1995 of \$252 billion, which is about \$3 billion more than last year, and it amounts to about a minus 1 percent in real terms, a negative growth of about 1 percent. This also reflects it through the periods of the future years defense program.

It shows an important point here that we have continual substantial reductions in defense projected in 1996 and 1997, 5.9 percent one year and 4 in the other, but we project at the end of 1997, that this decline in the defense budget stops and we stabilize. The reason we have to stabilize at this point has to do with the point I made earlier to you about the need for increasing the procurement budget at that time. At this stage, we are now past the point where in our procurement we can live off the excess equipment which is a residue of the larger force structure we had during the 1980s.

The bottom chart presents the comparable figures in outlays instead of in budget authority.

FINAL POINT

- Budget is a Strategic Investment Plan
- Based on Common Understanding of Strategic Needs
- Connects Strategy, Force Structure and Costs

Now, I would like to summarize my main point on this budget. This does represent a strategic investment plan. We have thought through from the beginning in the preparation of this budget how we can allocate resources to meet the strategy we were trying to achieve. It is based on a common understanding of our strategic needs, and the Bottom-Up Review served as the vehicle for achieving that understanding between the civilian leadership in the Pentagon and the military leadership in the Pentagon. It also provides a vehicle for the Defense Department communicating with the Congress on what we see as our strategic needs.

Finally, this budget and the way I have presented it to you today draws a very sharp connection among the military strategy we have as evidenced in the Bottom-Up Review, the force structure, the fiscal reality, and the costs that go with it. I submit to you that in your consideration of this budget, you should not look at it as a fiscal document alone. We are prepared to discuss and debate and defend our views on military strategy and force structure. If you do not agree with the military strategy and force structure, you should change our budget accordingly, but if you do agree with them, then you ought to support the budget that goes with them. The two are inextricably woven together.

Thank you very much, Mr. Chairman.

[The prepared statement of Secretary Perry follows:]

PREPARED STATEMENT BY WILLIAM J. PERRY, SECRETARY OF DEFENSE

Mr. Chairman, members of the committee, it is a pleasure for me to be here today to present President Clinton's fiscal year 1995 budget.

Last week when I appeared before you, I laid out six responsibilities for the Secretary of Defense. One of the responsibilities I listed is to prepare the annual defense budget that allocates resources and makes program decisions.

The budget is a powerful tool through which the Secretary implements defense strategy. Through the budget process, I as Secretary set my priorities for the Department. Today I want to talk about how this budget reflects the strategy we have adopted to build a post-Cold War Department of Defense. I want to share with you my priorities and lay out the rationale for my choices. For the budget is about choices. We could pretend that every decision was based on pure logic, but we know that is not so. Nor is there enough money to cover every option, to hedge every bet. I expect discussion, perhaps even challenges. It is time to open the debate.

Today I am presenting a post-Cold War budget. It reflects the realities of our inherited force structure. We have a quality force, but the size of the force structure

is both a blessing and a burden. We have large stocks of top-quality equipment, which opens up options regarding future modernization. We also have a force larger than we need, one which requires a few more years of downsizing, and an infrastructure that requires further shedding, a process which we have discovered has heavy up-front costs.

DEFENSE THEMES

There are five major themes which I would like to highlight in this budget. First it implements the Bottom-Up Review. Second, it protects a ready-to-fight force. It tells you what we have done to put reality into our rhetoric about readiness. Third, it redirects our modernization program, taking advantage of our existing force structure while planning for the future. Fourth, it starts to do business differently. There are serious fiscal implications if we don't manage better. Without management changes, we will not have sufficient funds for the future. As it is we know that we have to plus up the procurement accounts in the outyears to begin the process of "recapitalizing" the force. If we fail to manage better, overhead will drain funds from other accounts. We will have no choice but to rob from readiness or increase the topline. Finally, this budget reinvests defense dollars into other areas of the economy, including deficit reduction.

POST-COLD WAR FORCE STRUCTURE

Let me begin with force structure. The Bottom-Up Review served as the heart our force structure planning. The Review concluded that our basic force structure should be sized to fight two medium-sized regional conflicts nearly simultaneously, and it defined the minimum needed force structure. Additionally, we allowed the requirement for overseas presence to help size force. The structure we proposed then, and which is supported by this budget, allows us to meet these requirements.

Our budget continues the drawdown begun by the previous administration and takes it to the BUR levels more quickly, an important factor since significant savings will accrue and be available to plow back into other investments. We are already close to the BUR level of four Marine divisions; we are getting close to 346 ships and the 13 active fighter wings. In other areas, we are on a more gradual glide path because we need to make the enhancements that will help us compensate for a smaller force structure. When we reach the BUR levels, the overall force structure will have come down about 30 percent from its peak in the 1980s.

MANPOWER

The overall manpower levels have come down as you would expect with the declining force structure. One notable change is the increased emphasis I have placed on reducing the civilian support structure in a way that is commensurate with the drawdown in military forces. This is a painful process, and we must continue to fund the programs that allow us to minimize RIFs. We must also adequately fund employee transition programs that permit discharged military personnel the best possible chance to find work in the civilian economy.

The good news in this process is that, with the 1995 budget, we are almost at the end of the personnel drawdown. So the personnel turbulence which so heavily affects morale will be largely behind us at the end of the 1995 budget year.

During the Cold War the costs of manpower stayed about level. Now we are cutting deeply in this area. The savings from a smaller force structure are considerable, about \$36 billion. We are already realizing most of these savings. This is the prime example of a choice in priorities. We have chosen to cut force structure in order to preserve readiness. This is the opposite of the judgment we made in the 1970s when we maintained a force of 2.1 million, but deeply cut the Operation and Maintenance accounts. That approach led to the "hollow force" of the 1970s. Instead, we have determined that we can effectively function in the post-Cold War era with smaller forces, if those forces are ready.

PRIORITY ON READINESS

We are taking those savings and investing them in the Operation and Maintenance accounts as the most direct way to preserve readiness. While the force structure will decrease 7 percent between fiscal year 1994 and fiscal year 1995, we have increased O&M funding by 5.6 percent. We have also funded Service Optempo requests. We have also decided that even while weapons inventories are shrinking

we need to increase depot maintenance funding by 20 percent. Finally, we are maintaining the budget levels for recruiting. 1994 was as good a year as ever in terms of numbers and quality, but we must counteract the popular perception that we can no longer offer full careers. We must resist the temptation to save dollars on recruiting.

These are areas where the Secretary of Defense can make his priorities known. I can't go out and repair a broken airplane or ship, but I can make sure that the services give readiness their highest priority. We even put this instruction into the front end of the fiscal guidance. The services were told that readiness is the first priority and that all other guidance could be traded-off if they needed to program funds for improved readiness.

One of the challenges in making this sort of decision is to find ways to explain the effect that added funding for readiness will have. One of the best ways we have found is to look at the funding per unit of military activity—the funds available to operate a plane, a ship, or a combat battalion. Through this measure we are able to show, by activities and capabilities in the field, the relative increase in funding we have provided for readiness.

We can also look at the increase in funding relative to the manpower levels in each service. For example you can see that the Air Force has chosen to increase Air Force O&M relative to Air Force end strength.

This dollar emphasis on readiness translates into people's ability to do their jobs with high confidence of success. Needless to say, increased funding for training and maintenance is important for morale.

MODERNIZATION APPROACH

The next priority I have set for the Department, with John Deutch's help, is to redirect our modernization programs. Again, this decision is consistent with the strategy laid out in the Bottom-Up Review, which premised our two MRC strategy on force enhancements.

First, we will sustain a strong research and development effort. I firmly believe that we can and must continue to provide our forces the kind of advantage we had in Desert Storm. In the business world it might be called an unfair competitive advantage, but in combat it is called winning, and winning with minimum casualties. Additionally, a strong R&D effort is essential to provide a foundation if we ever have to reconstitute our forces.

Second, we need to continue to buy some next generation weapons. This is our commitment to the next generation of Americans. The C-17 is crucially important to the Bottom-Up Review strategy. We are also forging ahead with the F-22. But these are a select few programs.

Third, we have refocused the Ballistic Missile Defense Program to give first priority to theater defenses.

Fourth, have emphasized intelligence. We cannot dismantle it. The world is a dangerous, uncertain place, and many of the diverse threats we face today are difficult intelligence targets.

Finally, we want to preserve key elements of the industrial base that would go away if it were not for our support. This may be one of the most controversial decisions we have made, and I would be happy to discuss it at length.

For the past 20 years the procurement budget has been on a roller-coaster ride. Research and Development has been more stable; it has come down some, but it is still higher, in constant dollars, than in the late 1970s when we developed the weapons that we used in Desert Storm. I want to maintain R&D at a robust level.

The most difficult choice we have made is on procurement, and this will be a point of contention for many with this budget. First let me say that we cannot sustain these low levels of procurement for long, and we are projecting an increase beginning after 1995, when it goes up by 20 percent between 1996 and 1999.

We plan to continue the drop-off in near-term procurement that started in the Bush administration. We will go from 20 ships in 1990 to six in 1995, from 511 aircraft in 1990 to 127 in 1995 and from 448 tanks in 1990 to zero in 1995. The tank story is not a complete picture since we are doing some upgrade work, which keeps the industrial base warm, but the contrast to the recent past is dramatic.

There are two reasons for this drop off. First, we are projecting a much smaller force structure, down 30 percent. And even when we hit a steady state, we will have smaller buys than the past. Second, as our force size goes down, we can live off the inventory we built up for the Cold War.

The biggest challenge we will face during the transition will be fine-tuning the industrial base. Attack submarine forces is a good example. Based on a 90-sub force with a sub life of 30 years, the required build rate would be three per year. A pro-

jected 45-sub force would require only one-and-one-half submarines to be built per year. But as we draw down to that 45-sub level, we really have no need to build new submarines until after the turn of the century. The reason we have chosen to invest in a new Seawolf over the next few years is to keep the industrial base active at a minimum level until we need to start buying again at a steady-state level.

Each case will be different. For tanks we can handle the industrial base issue through upgrades and foreign military sales. For submarines we will need a stretched-out buy. With airplanes we have enough procurement, and with the development programs for the F-22 and the new F/A-18 version, we can be confident that we will have suppliers out into the future.

DOING BUSINESS DIFFERENTLY

Related to the need to increase procurement after 1996 is the requirement to do business differently. In this budget there is not enough money in the outyears to increase the procurement accounts unless we cut our costs. That means acquisition reform is a real need and not just a good idea.

In addition, we need to reform our financial management. It is, as Senator Glenn says, a mess, and it is costing us money we desperately need. Third, we need to continue to shed infrastructure. We urgently need the help of the Congress for all these activities.

All three are designed to save money in the outyears, but none will save money immediately. There is no line in this budget for projected savings from acquisition reform. We will not credit those savings until we can precisely identify and verify them. To do the base closure process correctly and quickly requires significant funds, and better financial management requires investment in new systems.

Taking care of the environment is in a slightly different category, but there are parallels. We must spend heavily to clean up past mistakes, and this is money which is an increasing drain on regular military accounts. But we are also trying to prevent the need for expenditures of this sort in the outyears. It is important to note that there is an additional \$5 billion in the Department of Energy budget for clean-up.

The last theme I want to stress in this budget is defense reinvestment, totaling a little over \$3 billion. Much of this money is being put into dual use technology, where there is a clear benefit to Defense as well as a benefit to the commercial sector.

The overall picture for Defense as a part of the national economy and budget shows the dramatic shift in resources from Defense to the non-defense side of the economy. Defense outlays are now down to 3.7 percent of GDP and heading toward 2.8 percent in 1999. Defense outlays are already down to 17 percent of the Federal budget. That represents a significant peace dividend for the American people.

This is the topline showing what we are planning to spend for America's defense.

A STRATEGIC INVESTMENT PLAN

Finally, let me say that this budget represents a strategic investment plan. It is a blueprint for getting us to where we want to go. It is based on a common understanding of strategy and what is needed to carry out that strategy derived from the Bottom-Up Review. The Bottom-Up Review provides clear goals for ensuring America's defense. The budget connects our strategy to force structure and costs. I believe that it fulfills the President's pledge to sustain the "best-equipped, best-trained, and best-prepared fighting force on the face of the earth."

Chairman NUNN. Thank you, Mr. Secretary. General Shali.

Senator WARNER. Mr. Chairman, might I suggest, given there is no written statement, other than what we have here, you might transcribe it early for the members, Dr. Perry's—

Chairman NUNN. Yes. We will do that. We will have a record here. We will transcribe it very quickly. General Shali.

STATEMENT OF GENERAL JOHN M. SHALIKASHVILI, CHAIRMAN, JOINT CHIEFS OF STAFF

General SHALIKASHVILI. Mr. Chairman, Senator Thurmond, members of the committee, since I became Chairman some 3½ months ago, I visited with our forces in Korea, in Somalia, in Hawaii, and in Europe. I want to report to you that they are doing

a magnificent job out there. They are guarding our Nation and our allies and accomplishing the many missions we have assigned them with every bit of the courage, the skill, and the enthusiasm that Americans expect and get from our Armed Forces.

I have submitted a written statement for the record. It encapsulates my views of this fiscal year 1995 budget and the broader issues of the future direction of the Armed Forces, and I ask that it be entered into the record.

Chairman NUNN. Without objection, it will be part of the record. General SHALIKASHVILI. Thank you, Mr. Chairman.

All of us know that there are two critical schools of thought about this defense budget. One feels that we simply have not cut enough, that we can divorce ourselves from the Cold War. In their minds, more can and should be cut. The other school believes that in today's dangerous world, we have cut too much too quickly and in the process we are gutting our national defenses and exposing our country to greater and greater dangers. I, on the other hand, believe we got it just about right.

The Bottom-Up Review identified four long-term dangers to our security, our interests, and our allies. Through a combination of engagement, continued forward presence of our forces in critical regions, through a partnership with other nations to create conditions of peace and stability, and through preventive actions, such as arms control agreements, we deter and combat these dangers.

Our emerging strategy is proactive and our Armed Forces are already taking a proactive role, one that varies from region to region as our objectives, circumstances, and conditions themselves vary. Our objective in Southwest Asia is to prevent Iraq or Iran from destabilizing the region, in Northeast Asia to deter North Korea from attacking South Korea and to support counterproliferation efforts. As well, we are serving the larger purpose of maintaining regional stability all around the Pacific Rim. In Europe we are maintaining a significantly reduced, but still sufficient forward presence to support NATO and our alliance objectives. Within this hemisphere, we are fostering peaceful and stable conditions by remaining engaged with our regional neighbors, by enforcing the U.N. sanctions against Haiti, and by keeping a watchful eye on Cuba.

The geo-strategic breadth of our interests and the number of regions critical to our interests whose stability and security depend absolutely on the commitment of our forces make it clear that we need to maintain the ability to respond to two nearly simultaneous major regional contingencies. Were we to become involved in a major response to aggression in any one of these regions, it is entirely possible that another of these nations would be attempted to attack its neighbors if it believed the United States too weak to deal with two simultaneous contingencies.

So, this is the core sizing requirement of our strategy. Forces and capabilities we are recommending, and as Secretary Perry just outlined, are lean, in fact, very lean but sufficient. Could we cut deeper? My answer is no. If we do, we will put our country in a straightjacket, one that will eliminate the flexibility and strategic agility our Nation requires.

I believe the smaller structure can do the job with an acceptable risk if and only if we meet two assumptions. The first is that we

protect and improve the readiness of our forces. The second is we continue to improve their capabilities and this budget does both.

Let me start with readiness. All of you have been supportive of the need to protect readiness. All of you know what we went through after World War II, after Korea, and again after Vietnam. It was a cycle of declines followed by disasters that we cannot and will not repeat, and we are not repeating it. As Secretary Perry pointed out, the operation and maintenance budget authority will rise 5.6 percent in fiscal year 1995 and this will be applied against the force structure that is 7 percent smaller, one with a smaller inventory of military bases and equipment. It fully funds the steaming days, the training hours, and flight hours at levels that our military commanders believe are essential. As well, the increase in depot maintenance funding of nearly 20 percent will go a long way to ensuring that our equipment is kept ready to fight.

The point is that we are breaking the bad habits that undermined readiness in the past. Our forces will continue to be the most ready and the most capable. They will be ready to go, to fight and to win whenever and wherever we ask them.

But frankly, we have a lot of commitments. Our forces are performing all of the missions that I spoke of earlier and a great deal more from helping to stem the flow of drugs into this Nation, to enforcing the Camp David Accord in the Sinai, to supporting the U.N. in Somalia, and other humanitarian missions such as the most recent earthquake in California. But our forces are doing these multiple tasks magnificently.

However, this raises several points. Our structure is getting smaller and smaller with each year, but our commitments remain global in scope and the range of activities we engage in seem to be expanding. The point is we cannot have any gaps or hollow space in our readiness. This is an imperative. When the structure gets as lean as ours is becoming, it means there is not nearly as much slack as we were able to afford with the larger structure of the Cold War.

Protecting our readiness is going to require two tracks. The first track is that we in the Armed Forces and the Department of Defense have to remain watchful. The services have to continually assess and monitor unit readiness, and the joint commanders have to assess the readiness of all of their forces to perform their missions. Within the Department, we are going to have to protect the industrial base and the mobilization base to make sure we do not allow a vital capability to atrophy or disappear, leaving us with a future hole in our defense when we can least afford it. We have to be so good at this, in fact, that we can tell you, the Congress, well in advance where problems are likely to occur, and this leads to the second track.

When we do come to you, we are depending on you to cover our expenses, to protect this vital commodity called readiness, and that highlights the importance of the current supplemental that is before Congress that tries to address the costs of Bosnia, Somalia, Haiti, and Cambodia.

Now, let me return to the other assumption, the one I spoke of earlier, about our need to grow in capability as we reduce our structure. This increase in capabilities must come from a number

of sources. It will require a degree of modernization. It will require the enhancements that are recommended in the Bottom-Up Review, and it will require those of us in the Department of Defense, particularly those of us in the Armed Forces, to be bold and challenging about how we do our business and to be relentless in finding and implementing ways to make our forces more and more effective on the battlefield.

What specifically am I talking about? When you go from the M-1A1 tank that Secretary Perry just mentioned to the new M-1A2 tank, it increases the lethality of a tank company by nearly 20 percent. If we had had the C-17 for use in our deployment to Somalia, it would have doubled the cargo we were able to bring through the airfield in Mogadishu. When we bring our Navy in closer to the shoreline, which is a core thrust of its new littoral doctrine, we increase the air sorties and the naval gunfire support available to the warfighting commanders.

The Bottom-Up Review listed a number of enhancements that will make our forces more capable strategically, operationally, and tactically. It is imperative that we maintain support for them from R&D through fielding in this and in the out-year budgets.

As I noted earlier, we are not merely reducing. We are restructuring our forces to accomplish a new strategy. We must improve our strategic agility to respond to diverse and widely separated contingencies. This means we have to continue to make our investments in expanded strategic lift and prepositioning of stocks in locations that will increase our global agility. As I pointed out earlier, we have to make continuing, although selective, investments in modernization. We must make sure that our smaller forces remain capable of defeating any two regional adversaries. This is why we must increase our capabilities because even if we protect the readiness of our forces and avoid having a hollow force, if we fail to increase the capability of the smaller force, then in 5 or 10 years we will have a hollow strategy.

There is one last point about this future force which is our people. I saved this point for last because it is so important. It is the very foundation of our military excellence, our ability to fight and win. I cannot emphasize strongly enough what great men and women we have in our ranks today. They are remarkable in every sense of the word. When you look at what they are doing around the world in the places I just mentioned, it is astounding. When you think of their courage, the hardships they endure, the tough and demanding lifestyles that accompany military life, and the sacrifices they and their families willingly make to this country, it is humbling. They are talented and dedicated, and if you want to retain them and continue to recruit more like them, then we have to take care of their welfare and the welfare of their families. They are, in a word, a Superbowl team, but without Superbowl wages. The very last place to look for more savings is in their paychecks and in what we provide in our quality of life programs. I know you understand this because this committee and the Congress have been very tough in holding this line and I ask for your continued support.

Now, I would like to conclude with one or two observations. The first is the fact of American history. Since our Nation was founded,

we have never experienced a 20-year period of uninterrupted peace. Put another way, no soldier in this country's history has ever completed a military career when the Nation did not engage in armed conflict at least once. This is the reality that underscores our need to remain ready.

My second observation is simply a reminder, a reminder of how long it took and how very expensive and difficult it was to build this outstanding military force we have today. Most of you here on this committee were very influential in its construction and all of us owe you a great debt. These reminders underscore our need to continue to shape and equip our forces for the future.

In the past we were on a roller coaster of declines, followed by expensive surges, followed by another decline. This budget tries to put us on a steady line, one through which we will maintain our balance in every critical measure of our Armed Forces. We have a strategy and we have determined the leanest force structure capable of fulfilling that strategy, but in order to fit that very lean structure to that strategy, it is going to have to grow in capabilities. There are three factors that will make that difference: readiness, modernization, and people. I assure you that my focus will remain on these three areas and I ask that you keep them in your field of vision as we work together to ensure that our Nation is as well defended in the next century as it is today.

I thank you very much for this chance to offer my views, and I look forward to your questions.

[The prepared statement of General Shalikashvili follows:]

PREPARED STATEMENT BY GEN. JOHN M. SHALIKASHVILI, CHAIRMAN OF THE JOINT CHIEFS OF STAFF

Mr. Chairman, Senator Thurmond, members of the committee, this Nation is blessed with the finest and the most remarkable Armed Forces in the world. So, I am extremely proud to represent them before you today and to offer my judgment on the direction of our Armed Forces and the challenges that lie ahead.

Perhaps one of the most important contributions I can offer at the outset is to reflect very briefly on the human dimension of what we are talking about today, because it is hard to get this sense from the dry, lifeless columns of numbers and line items that appear before us in our budget books.

In the past few months, I have been privileged to visit our forces in South Korea, in Somalia, and in Europe. In spite of the daily hardships of their duties, and in several cases the omnipresent dangers they face in some truly inhospitable places in the world, what I saw in these men and women made me thoroughly proud to wear this uniform and to be an American. Our men and women in uniform are out there, tough, determined, and resolute. They are very proud of their accomplishments because they know theirs is a noble effort. We owe them our heartfelt thanks and every bit of the pride that I know Americans feel for our men and women in uniform. And of course, as all of you gathered here know all too well, they expect us to be just as determined and resolute, and to make the right choices as we decide the future of our Armed Forces.

This leads in to my larger purpose for being here today. I am here to give an explanation of what the Joint Chiefs, the Combatant Commanders and I believe are the requirements we need to fulfill our missions and objectives.

Over the past 5 years, we were forced by circumstances to take a dual approach as we made these recommendations. On the one hand, when we realized over successive stages that the Soviet threat was changing complexion, then ultimately disintegrating, we were searching to discover what parts of our arsenal could be reduced. This part was a divestment strategy, pure and simple. We looked for all those units and capabilities that were becoming excessive to our needs.

But, at the same time, we were struggling to come to grips with what we would need for the future. As events unfolded we came closer to answering that question, and the direction of our budget moved accordingly.

The 1995 budget is part of the recreation of our forces for the future. There is still some divestment, as there will be for a number of years. But it is vital to understand that the heart of this budget is an investment in a reorientation of our strategy, our forces, and our capabilities for the future. It is not a simple remodeling of the old; it is new construction that will carry us into the next century. We have a strategy, we are confident it is the correct strategy, and we know what forces and capabilities we need to pursue that strategy.

What we are recommending is not a flabby force. It is as lean as we dared make it if we are to retain our ability to execute two nearly simultaneous major regional contingencies. There is very little, if any, room for miscalculation. We haven't provided a hedge of an extra division here or an extra fighter wing there.

I think we all know there are two critical schools of thought and two distinctly different moods dominating the public debate about our Armed Forces. Some believe we have not cut nearly enough, and that in the process, we are perpetrating an indefensible drain on our national treasury and contributing to our debt. Others believe that we are cutting far too much, far too quickly, and are thereby exposing our country to greater and greater dangers and risks. I, on the other hand, believe that we have it right.

I hope that the series of hearings you are beginning today will convince those who think we haven't cut enough that they are wrong. I could point to the fact that our Armed Forces have been used in 29 different major operations just since the Cold War ended, including fighting in two wars. Or, I could talk of the many new dangers we see lurking around us. But, ultimately the best way to judge whether this budget is the right size is to look to the future, not the past.

For those who think we are cutting too much, I want to emphasize up front two of the principal corollaries of our thinking. This structure is adequate if, and only if, we stick with two linchpins: we must improve our capabilities, and we must improve and maintain our readiness.

The first of these linchpins is based on simple logic. We can reduce our structure to the size and mix we are recommending, but only if in growing down, we improve by adding the capabilities required in our plans. That is why I used the questionable oxymoron of "growing down." Our forces must grow in capability even as they become smaller.

If George Patton had just one of our modern armor divisions when he joined Eisenhower's forces at Normandy, he probably would have broken through to Germany in less than a week. If Jimmy Doolittle had flown his famous raid over Tokyo in any of our modern bombers, he would have achieved his mission without losses, and then have been able to return all the way to the United States. If we could take modern Tomahawk-capable ships, and send them back in time, assigning them to Admiral Nimitz in World War II, they would have had a dramatic effect on the Japanese mainland early in the war, thus saving thousands of casualties during the Pacific campaign. This is what I mean about improving the capabilities of our forces.

But, allow me to give this a more contemporary flavor. When we transition from the M1A1 tank to the M1A2 tank, we estimate that it increases a tank company's lethality by 18 percent. This nearly one-fifth increase in capability compensates for some of the reductions in armor forces we are making. Whereas it previously took one or more bombers for each target, new weapons will allow the B-2 to attack up to 16 high-value targets on one sortie and the B-1 up to 24 targets—a tremendous increase in capability. And we estimate that, if the C-17 had been available for Operation Restore Hope, we could have nearly doubled throughput per day to Mogadishu, Somalia. I don't need to paint the picture for you of what that will do to our lagging airlift capability. Similarly, our Navy is restructuring its fleets to emphasize littoral operations and take full advantage of improvements in sensor and weapon technology. The net effect is an increase in the number of air sorties and firepower the Navy can offer a theater ground or air commander. This kind of logic must typify our approach across all of our forces of the future.

In the Gulf war we enjoyed a genuine superiority over Iraqi forces. It was this superiority and our knowledge of how to use this mismatch to every possible advantage, that led to the extraordinary outcome of that conflict. But, one of warfare's most remorseless rules is that any nation too captivated by past successes is doomed to future failure. History books are full of woe-filled tales of militaries that were looking backward when they should have been looking forward.

Our improvement in capability must come from a number of sources. The Congress is going to have to fund a fair number of them. But we in the Armed Forces are also going to have to search for innovative ways to make our force more efficient, better trained, and more effective. We cannot and will not allow any sacred cows or gold watches to get in our way, to impede our progress, or to block our imagination. All must be open to change as long as it is an improvement.

The second linchpin of our thinking is that we will protect the vital readiness of our forces. I don't think anyone contests this point, but I'm not sure everybody is clear about what this means, about all that it involves, and about what it costs.

In 1945, our Armed Forces were 12 million strong. They were extraordinarily well trained, equipped and prepared, so much so that they defeated two of the world's major military powers. Five years later, what was left of this spectacular force was battered about the battlefield by a North Korean force that had been formed, equipped, and trained in a little less than 2 years. Tragically, nobody had noticed how deeply our readiness had declined in such an amazingly short time.

What did we do wrong? We built down much too fast. We did not grow down; we fell down. The pace was so furious that we lost track of vital capabilities. In the rush to convert defense industries to meet booming domestic needs, vital industrial mobilization capabilities were eliminated. In our rush to demobilize units and de-commission equipment, our morale, our cohesion, and our training suffered. And, of course, the steep decline in the defense budget, a decline intended to rectify the great debts left behind by the war and to help restore our economy to a sound footing, forced the armed services to balance and rebalance their needs, to continuously compromise one measure of readiness after another. It took a war and terrible losses to expose the seriousness and the depth of our decline.

We have not made the same mistakes yet. But, not only must we keep our readiness from declining, we actually have to improve it. Our Cold War strategy and our robust structure allowed us to staircase our readiness. It was a larger force; therefore, we didn't need to keep all our units fully ready to deploy and fight. We accepted tiers in our readiness that could be fleshed out in the event of a contingency. Our smaller future forces won't have this slack.

Now, having emphasized the two corollaries driving our thinking, I'd like to explain more fully why this is the right force for our strategy and what areas we need to emphasize.

FORCE ARCHITECTURE

I will begin by repeating for you some points you have heard, but they are still worth repeating and thinking about. The world today and the world we expect to see for the foreseeable future is a more uncertain, and in some ways, a more dangerous environment than we have known for decades. This uncertainty is an enemy in two respects: it diffuses our focus and it makes us too near-sighted.

If someone had asked us 5 years ago if we were planning to go to Kuwait, or to Somalia, or to contain the violent disintegration of a nation in the heart of Europe, I think we would have looked at them strangely. It should make all of us wonder what's next? Where next?

Large expansions in the size and capabilities of our Armed Forces are the product of many years of effort. A new equipment program often takes 15 to 20 years to go from the drawing board through production and fielding. Creating a new air wing, a new division, or a new carrier battle group, even using existing technologies, could take between 5 to 10 years, assuming the industrial base exists in the first place.

Our problem is that we just don't know what the global security environment will look like in another 5, or 10, or 20 years. What we do know is that great changes are sweeping across the globe far more quickly than was the case in the preceding 40 years. Any world globe selling in a store today that is over 3 years old is already an antique. We may be delighted to find that the future is more peaceful and tranquil than today. Or, we may find that it is far more violent and frightening.

This lack of clairvoyance does not preclude sound planning, but it surely makes it more difficult. The force we are building must take into account these effects of uncertainty.

The forces we are recommending are the proper response for this kind of uncertain world. Our core sizing requirement has been described as keeping enough forces to respond to two nearly simultaneous major regional contingencies (MRC) and to prevail in both, as well as maintain our strategic deterrent posture. The aggregate fiscal year 1995 force list to accomplish this follows:

Force Architecture

The FY-95 Force

ARMY

12 Active / 8 Reserve
Divisions



510,000 AC
642,000 RC

AIR FORCE

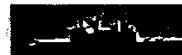
13 Active / 5 Reserve
Wing-Equivalents



308,000 AC
194,000 RC

NAVY

11 Active / 1 Reserve Carriers
374 Ships



442,000 AC
101,000 RC

MARINES

3 Marine
Expeditionary Forces



174,000 AC
42,000 RC

But, let me dwell for a moment on what we expect this force to accomplish, because our calculations are based on a lot more than the sizing scenario implies.

Our highest objective is still deterrence. The importance of deterrence was not washed away by the events of the past 4 or 5 years. What has changed is who and what we are deterring. There are still identifiable regional threats like North Korea, Iran, Iraq, Libya, and others. But we also have to deter less precise threats such as the proliferation of weapons of mass destruction. And, in a larger sense, we have to keep the new fears and insecurities that are being unleashed from breeding new threats, and from undermining the great achievements and opportunities that we sacrificed for during the past 45 years.

One point is clear—we must keep sufficient forces stationed overseas where our interests dictate, like Europe and East Asia. Our alliances and coalitions are our strongest bastions for stability and order in the world that is unfolding around us. Whatever savings we might reap by withdrawing our forces will seem foolishly inconsequential to our children who will inherit the damage this would certainly cause. Twice in this century we have made the mistake of divorcing ourselves from what was occurring in Europe or Asia. Both times it has led to disaster for them and for us. We cannot afford to make this mistake again. In fact, we need to build on our alliances, changing their focus to combat new threats and using our combined power to keep new fissures and new tensions from overturning our achievements.

We also have to be prepared to execute operations other than traditional warfighting. Being prepared for wars is our highest calling, one that we cannot and will not marginalize. However, when you look into the future, you cannot avoid the conclusion that our forces will be used more frequently for other types of missions and against other types of crises. Even today our forces are operating in Somalia, Iraq and the waters off Haiti; they are helping to contain the conflict in former Yugoslav states; they are supporting counterdrug operations; and they are bringing humanitarian relief to the earthquake victims in Southern California.

We are demanding and we will get a great deal more security from this "two-MRC" force than the title implies.

PEOPLE

No single investment we make is more important than our people. The Gulf war brought to the Nation's attention something those of us serving in the Armed Forces have known for quite some time—that the men and women who are serving today are absolutely magnificent. They are bright, highly motivated, extremely well trained, courageous, and totally dedicated.

It took a long time to get to this point after the demoralizing years of what historians term the "Vietnam era." But, it would not take nearly as long to go the other way.

Our economy is now recovering from the longest and deepest recession in our post-war history. Our men and women in uniform are aware of this, and they are also aware that they possess skills and talents that businesses value just as highly as we do. As a matter of simple economics, we will have to compete even more tenaciously to attract and retain our high-quality people.

But, for the past 4 years we have been separating career people in large numbers. I think we have gone about it properly, and I applaud the Congress for "softening the landing" of all those whose careers have been unexpectedly cut short. But, we would be blind if we ignored the reverberations these cuts have sent throughout our forces, or the message they have sent to the young people we are trying to attract into national service.

It boils down, again, to simple logic. We will not continue to attract quality young people if incentives and benefits subside. We have to take care of the welfare of our people in uniform, our civilians, and our families, or we will not retain the career professionals we will need to lead our forces into the next century.

It is an old and proven axiom that men and women do not choose military careers to pursue riches. Nearly all do so because they are intensely patriotic, because they are dedicated, and because they enjoy the great fulfillment of military life. But, there is an invisible bottomline that must be met if they and their families are to stay in the service through one tough assignment after another, being asked repeatedly to put their lives in danger, and often being separated from loved ones for long periods.

We are asking our sailors and marines to endure a career of 6-month cruises, year after year of living in austere quarters, moving about the world from one danger zone to the next. Some of our soldiers and marines have missed more than one Christmas away from their families in the past 3 or 4 years. For some, two of these warm, memorable holidays were spent in war zones or in Somalia. We are getting what we expect from our people, and we owe it to them to compensate them for their contribution.

The Future Years Defense Program (FYDP) contains a number of items geared to our ability to recruit and retain quality people. Pay raises, funding for programs that offset special demands of military life, money for recruiting resources and advertising, dollars for reenlistment incentives, and health and educational benefits are all vitally important to our people and our families. Not covered in the DOD budget, but equally vital to the future of our forces, are the retirement benefits of our veterans. The men and women who serve today, and those who contemplate future service, watch closely how we honor our commitments to those who have served. All of these programs face constant scrutiny but are not areas in which to cut corners or find savings.

In the last 6 months alone, there have been two attempted assaults on the pay and benefits we have promised our people. Thankfully, this Congress fought off both of them, and I hope that, for the health and the future of our Armed Forces, we continue to resist future temptations to save dollars at the cost of the welfare of our men and women in uniform.

READINESS

In the past few years, I think all of us at one time or another have spoken of the need to protect readiness. I think there is a solid consensus behind this point. But, as I mentioned earlier, I'm not sure that everyone shares a complete grasp of all this entails.

Readiness equals the ability of our Armed Forces to achieve their specified war-time objectives.

There is a great deal that goes into this equation. Steaming days, flight hours, and operating tempo are just a few considerations. Each of the services has its own models for measuring and assessing unit readiness that account for any number of variables, from whether there is sufficient equipment on hand and whether that equipment is adequately maintained and fully operable, through personnel manning levels and whether a unit has experienced enough training to accomplish its mis-

sions. And each service gives credence to a commander's assessment based on his or her intuitive experience and judgment of whether the unit is ready for its assigned missions.

That judgment recognizes that people are essential to maintaining readiness. Morale and esprit cannot be measured on a scale, but they can undo a unit's readiness more terribly than any other factor. This is an area we have to watch very closely during this era of reductions.

To some degree, time and money in, equals readiness out. But this is clearly only a partial answer. There are too many hidden or indirect siphons that can detract from it. For example, although readiness accounts may be fully funded, if base operations accounts are underfunded, then commanders are confronted with a delicate dilemma. They are forced to take funds away from their operations accounts and divert them to keep the lights on at their installations and to keep the heat on in their child-care centers.

Alternatively, I think all of us are aware of the potentially dangerous tack we have practiced for too long of demanding that the services spend their carefully programmed moneys to fund actual contingencies. Even if the services are repaid for these unexpected diversions at a later date, over the near term it forces them to put one unit into a state of readiness malnutrition in order to feed the growing costs of a deployed unit. If the amounts of diversion are small, the problem is manageable. But if we involve our forces in more and larger contingencies, readiness malnutrition migrates to more and more of the force, and the force could starve.

There is one more hidden siphon that disturbs field commanders, and this is the large backlogs that result when we underfund depot maintenance. In the long run, this underfunding is a guarantee of future readiness problems and possibly delayed modernization.

I think all of us would have difficulty explaining how we measure the readiness of our industrial base, which is crucial to our ability to sustain ourselves in prolonged major operations. This has been a problem throughout this century; and we have been shocked time and again to discover that when we most need to mobilize, vital areas are paralyzed or have atrophied so far that we have to rebuild from a dead start. I think we are going about it smarter this time, because we are identifying and protecting vital industrial centers, but it is an area we all need to watch.

The services all have good systems for measuring unit readiness, and we are improving our joint readiness assessment systems so that we can do a better job at assessing our ability to deploy and fight jointly. Our joint commands have evolved to the point where I think such a system is possible, and we are now making our first efforts to measure our joint warfighting capabilities. I hope to report on continuous progress in this area in future testimony.

What all this adds up to is that we need to do two things if we are going to protect our readiness. The first of these is that we are going to have to get better at how we measure all the various components that affect readiness. And, second, we are going to rely on your support to spend whatever is required to keep our readiness at adequate levels.

Over the coming months, you will hear from each of the service Chiefs and from each of the combatant commanders. I am confident you will ask each of them to offer his assessment of the readiness of his forces. You will find, in general, that we all agree we are still above the waterline, but there are whirlpools and eddies that could suck us under. We are advancing carefully and all of us would be more confident if we avoided some of the bad habits I spoke of earlier. We will keep our eyes on the horizon; and if we see a problem looming in the future, we will ask for your help before we sink.

STRATEGIC AGILITY

Before the end of this century, we will have the smallest number of troops stationed abroad since 1950, when the war in Korea and the spiral of events and tensions in Europe finally convinced us that we could not return to the illusory comforts of isolationism, as we had tried to do 20 years before.

We have reduced our forces in the Pacific and the reductions in Europe are proceeding. When they are done, our remaining strength will be about two-thirds less than the numbers we stationed in Europe during the later years of the Cold War.

We are becoming far more dependent on our ability to project power from the United States to effect deterrence or respond to crises in these regions. But, we haven't significantly improved our ability to do so. One of the reasons we kept such large numbers overseas in the past was because our strategic lift was so insufficient. Because we are bringing so many of our forces home, we can no longer afford to

casually accept the glaring shortfalls that still exist in our strategic power projection capabilities.

In the past, we approached our strategic lift shortfalls much like the Soviets treated their 5-year economic plans. Time and again, we gathered great fervor and intensity behind our intention to correct these shortfalls, we drew up ambitious timetables and schedules, and then, with each succeeding year, we slipped these schedules as we failed to accomplish one objective after another, as projected increases in air tonnage and sea tonnage failed to materialize, until we finally succumbed to the old trick of modifying our original requirements, reducing them to levels that made us appear successful, when, in fact, we remained far short of our original goals. Then, a few years later, some coalescing event would cause us to repeat the same cycle again.

This budget is part of another of those 5-year plans, but this time we have much more on the line than in the past. Because we have reduced our forward deployed forces so deeply, we are a great deal more reliant on our ability to reinforce them.

Just as important, the shift in our strategy demands that we globalize our deployment capability. During the latter years of the Cold War, we focused primarily on Europe and our commitment to have 10 divisions in place within 10 days. During the 1980s, we improved our capacity to move military forces to Southwest Asia, as well.

We are now in the process of dispersing this concentration and refocusing it to give us a global orientation so that we can respond with much greater acceleration to contingencies in Europe, in Southwest Asia, or throughout the Pacific.

The risk is this. Right now, we have enough lift to move small numbers of forces to any theater in the world very quickly. But, we don't have enough to rapidly expand this flow into a torrent bringing in more and more forces, equipment and munitions at rates with which any of us should feel comfortable. The delays in time will be measured quite horribly in lives and territory lost.



A famous Civil War general disclosed the secret of his battlefield successes as the ability to "Get there the firstest, with the mostest." We have to get better at getting there "the firstest." Our belief that we will is a critical assumption we accepted when we measured the size of our projected force.

The means to do this are the prepositioning programs and the lift expansion programs, both included in the FYDP. But, we also have to ensure the lift we currently possess is maintained and modernized. We do not want to rediscover, as we did in

our deployment to the Gulf war, that some of the assets we are counting on are not nearly as ready as we believe.

MODERNIZATION

A difficult by-product of this new era is that we have lost the impetus that used to drive our modernization needs. How do we determine if we need a completely new piece of equipment, whether it is enough to simply modify an existing platform, or indeed, whether we need to add any improvements at all? For decades, it was our habit to make these decisions based on our analysis of Soviet developments and what we needed to counter them.

The risk we run today is that we will become complacent, that we will cancel one modernization program after another because we don't have a terrifying ogre knocking on our door. Alternatively, we know that we can't afford to invest in every modernization possibility that becomes available. So just how should we approach modernization?

In this budget we have steered our investments very carefully into those programs that will have the most dramatic affect on our capabilities for the investment, that will demonstrate the greatest payoff on the battlefield, and that will increase the survivability of our forces.

We have divided our modernization alternatives into two categories: those that can be achieved through inexpensive evolutionary modifications to existing equipment and those which require leading-edge technology that only revolutionary modernization can bring. The aggregate of these programs is a vital part of the capability we will need to field a capable force in the next century. From a technological standpoint, we will remain superior to any force that any other nation can field. We will enjoy new advantages in stealth, in standoff precision weaponry, in sophisticated ground and space battlefield sensors, in night vision capabilities, and in tactical ballistic missile defenses.

On the other hand, hidden from sight are the large numbers of programs we terminated, some of which we felt were important but unaffordable in this more austere environment. Many of these program terminations were painful, to our defense industries and to communities that depend on defense procurements. But, they were necessary.

But, we cannot relent on modernization. Two vital considerations rest on it. First, modernization is the key to future readiness; and second, it is the only way to provide our next generation with a viable defense.

We have to view our Armed Forces as a living mechanism, much like San Francisco views its famous Golden Gate Bridge. That bridge is continuously being repainted. As soon as the painters have reached one end of the bridge, they turn around and start over at the other end. If they do not, they will fall behind and the bridge will lose its famous color, it will begin to rust, and the city will have to hire more painters and spend even more money to catch up.

In a similar vein, we have to continue 'painting' our forces. If we fail to continue to modernize, we are merely creating a massive problem down the line for a future generation of military leaders, for future congressional leaders, and for future taxpayers. No piece of equipment or system lasts forever. We have to keep replenishing our stocks through a combination of continued fielding, rebuilding, modifications, or modernization.

As I stated, we are asking you to modernize only the systems that will make a dramatic difference to our capabilities.

COMMAND, CONTROL, COMMUNICATIONS, COMPUTERS, AND INTELLIGENCE (C⁴I)

During the Grenada invasion only 10 years ago, we were shocked to discover that soldiers on the ground could not talk directly to Navy ships lying just offshore to coordinate vital gunfire support. During the Gulf war, only 3 years ago, we discovered interoperability problems in passing air tasking orders between different services. And, when the conflict ended, General Schwarzkopf noted that he didn't feel that he had access to strategic intelligence in a timely enough manner, nor was this intelligence being distributed to frontline fighting commanders in time to be properly used. These lapses did not cause catastrophic problems. But, in other conflicts and under other conditions, if they recur, they could cause disaster. We need to follow through right away on the problems we discovered in the Gulf war.

But, we have to do more than just correct problems we have already discovered. We have to harness the spiral of innovations occurring in computers, in electronics, in software, and in communications technologies in our laboratories, and we have to adapt these innovations to improve our strategic C⁴I architecture and our ability to cut through the fog of war on the battlefield.

Command of the Battlespace

The Importance of C4I



Key to this is protecting and improving our ability to stay inside any opponent's decision cycle. Doing so requires two capabilities. We must have the ability to see the battlefield with such depth and acuity that we know what an opponent's forces are doing even before they know. Then, all of our forces—air, land, and sea—must be able to act with such speed and joint precision that our opponents will be overwhelmed, frozen, and incapable of responding.

In each of the two world wars of this century, new technologies debuted that revolutionized the way we fought. In the First World War, it was the machine gun, barbed wire, and finding a new application for an age-old soldier's tool, using the shovel to dig trenches. In the Second World War, it was the radio, radar, airpower, and armored forces. The revolution occurring today is in C4I.

CONCLUSION

In these uncertain times, we must protect our readiness, we must keep our force structure at the right size to be able to respond to major contingencies in two regions nearly simultaneously, and we must ensure that these forces grow in capability even as they come down in size. But, even this will not be enough if we do not keep the same remarkable quality of people in our force as we have today.

Our strategy is right. And, the forces we are recommending are sufficient if we follow through on the enhancements contained in this budget. If we do so, we will be more capable of executing two nearly simultaneous major regional contingencies than we are today.

We must be able to move our forces and our supplies to threatened theaters faster and in larger and larger quantities. For an embattled theater commander, this alone has dramatic and nearly immeasurable battlefield consequences. From a warfighting perspective, I think any theater commander would far prefer four divisions and seven wings within a month after they are asked for, than twice that number three months afterwards. And, the forces we send must have more raw battlefield capability than any we could put into the air or on a ship today.

We also have to be alert against complacency. For the time being, we are fortunate not to have a compelling danger that threatens our very existence. But, we must maintain our forces and our readiness, we must modernize, and we have to build and expand the vitality of our alliances. We have to do these things today, not because we have a gun at our heads, but because we want to keep anyone from

putting a gun at our heads, or 10 years down the road, from doing so to our children.

As a Nation, we have learned to view our environment and our debt with an eye to the future. We are disciplining ourselves to be more responsible about the state of the treasury and the atmosphere our children and our grandchildren are going to inherit. We need to carry the same outlook over to how we view our Armed Forces.

Today, America's Armed Forces are as good as we ever had. When we call upon them, as we have been doing quite often, they respond brilliantly. I ask your support in helping to maintain this edge tomorrow, and into the next century.

Chairman NUNN. Thank you very much, General Shali, Secretary Perry.

In the first round of questions we will follow our normal time rule and I would urge all members, although there is certainly no mandate, to stick with the budget questions the first round, and then if we have foreign policy questions, which I am sure all of us do, we will definitely have a second round.

Dr. Perry, I want to talk to you just a moment and ask you to respond to three questions that relate to assumptions. The pay raise that took place last year—the Congress did not go along with the administration's zero pay raise for the military. That had 5-year implications; it had 1-year implications. It is my understanding the administration has added that back in this defense budget, is that correct, so that there is a hold harmless for the 1994 fiscal year pay increase over the 5-year period?

Secretary PERRY. That is correct, Senator Nunn.

Chairman NUNN. Further, it is my understanding that that has not happened on inflation. Is that right? There is a difference between last year's projection of 2.3 percent inflation and this year's projection of 2.5 percent. That sounds like a small amount, but the principle is enormously important and the amount of money is significant because inflation could go higher than that if we get the kind of growth that we all hope we do.

Is the defense budget being protected against the unanticipated and unprogrammed inflation number that was in last year's budget that has now changed?

Secretary PERRY. The defense top line was not corrected to add the different estimate of inflation which came just before this budget was submitted. That question is open for reconsideration in the 1996 budget.

Chairman NUNN. It is not a closed issue in the out-years then.

Secretary PERRY. By no means. It is not a closed issue in the minds of the administration either.

Chairman NUNN. In 1995 that money is being absorbed. Is that right?

Secretary PERRY. That is correct.

Chairman NUNN. Do you know approximately how much that is?

Secretary PERRY. I do not have that number in my head, but I expect Mr. Hamre does. \$1.6 billion.

Chairman NUNN. \$1.6 billion of unanticipated, unprogrammed inflation is now being, in effect, eaten in this defense budget. Is that right?

Secretary PERRY. That is correct.

Chairman NUNN. We appreciate your method of presentation which was very effective. I think it gives us an overall, broad view and we can get to the details later, but I think it was excellent.

In your presentation, you stated that there is no line in this budget to project its savings from acquisition reform. You went on to state that the savings on acquisition reform—and then you listed base closings and other savings up there—almost all would occur in the last 3 years, not in the first 2 years. Is that right?

Secretary PERRY. That is correct.

Chairman NUNN. You also mention that unless we achieve those savings, we were not going to have money to get that procurement back up in the future. Both your statements indicate very clearly that if we do not have modernization over the next several years on a larger scale than we do now, then the readiness of our forces will be impacted down the road. They will simply not have modern equipment. You made it clear that we have to rely on those anticipated savings in order to build back up that procurement account. Is that right?

Secretary PERRY. That is exactly correct.

Chairman NUNN. I am told, Dr. Perry, that there is a line in the budget, not in the defense portion, but in the overall budget, that takes \$750 million in savings for fiscal year 1995 that relates to acquisition reform and \$10 billion over 5 years. That is a deduction that is shown in the overall Presidential budget not yet allocated to defense. Do you know whether that is the case or not?

Secretary PERRY. That is correct. Would you like me to comment on that?

Chairman NUNN. Yes, sir. My question really is, how much of that \$10 billion over the 5 years and how much of the \$750 million over the 1995 budget are basically going to have to come out of defense?

Secretary PERRY. The main issue that we are concerned with is the \$10 billion increment over the 5-year period. Let me be as clear as I can be about that. I believe that the reform programs we are considering here do have the potential to achieve those kinds of savings.

I did not myself put into the budget—I was reluctant to put into the budget—based on the principle that I do not like to budget either programs or projected savings for a program unless I can describe the program by which I am going to achieve them. I am not able to do that at this time. I will not be able to do it, in fact, until the Congress acts on the acquisition reform legislation which you are now considering.

When that is done and when we have our programs put together to realize the savings, I believe we will be able to make a confident projection of savings. I would anticipate by the time we put our 1996 budget together we will be able to, with some confidence, project the sort of savings.

My hope and expectation is that they not only will be at the \$10 billion level over this 5-year period, but possibly even higher, but I cannot today describe to you the specifics of how that will be achieved and that was why I did not myself put them in the budget.

Chairman NUNN. Even though it is not in the defense budget, it is in the overall budget. The Budget Committee is going to have to decide where that money comes from, and unless they reverse course from anything I have seen in recent years, they are going

to take at least the defense portion of overall procurement, which is about 70 percent of overall government procurement—they are going to take at least 70 percent out in 1995 and probably at least 70 percent out over 5 years.

It seems to me that is a direct contradiction between what you have told us here because you are saying number one, you cannot project it, number two, it is not going to come in the first 2 years, and number three, that money has got to be used to boost back up the procurement account. Now, if all of those are accurate—and I think you are accurate on that—the money cannot be used twice. Although we try to do it around here every year, in the bottom line it does not happen. It can only be used once. You cannot save it now in the overall President's budget and come back and say it is going to be used to build up procurement in the years ahead. How do you reconcile those?

Secretary PERRY. I would distinguish between the fiscal year 1995 and the out-years. I have different concerns. In the fiscal year 1995, although the amount is relatively small, compared to the total \$10 billion we are talking about, if there would be some significant fraction of that allocated to defense, that poses us with a difficult problem. It has to come at the expense of programs because I do not believe it is going to come out of our acquisition reform in the first year.

On the out-years, whatever portion of the \$10 billion comes to the Defense Department, if it is a reasonable portion of that \$10 billion, I am confident that we will be able to achieve that even though at this time I cannot give you a step-by-step projection of how we will do it.

Chairman NUNN. But that still does not answer the question about how you get it in procurement if it has already been "saved" and deducted from the deficit. How does that money then get used for procurement—

Secretary PERRY. We have programmed increases in procurement already, not counting on that acquisition reform. I would hope to have more money to program into procurement and that would come from the acquisition reform. Just for illustrative purposes, if \$5 billion of that \$10 billion were to be allocated to defense over a 5-year period and if we were able to achieve reform savings of \$8 billion or \$9 billion, then that would give us an extra \$3 billion or \$4 billion to add to the procurement increases we have already programmed, and I would be comfortable about that situation. The reason I am uncomfortable on this is because I am not in the position to make a forecast for savings which I cannot at this point stand behind.

Chairman NUNN. I think all of us hope we can make significant savings in acquisition reform and I think all of us are dedicated to getting an acquisition reform bill passed this year. I believe there is money to be saved there. But frankly, if one were cynical about this process, you could come to the conclusion that OMB took \$11 billion and put it on pay to make up for the pay to meet that commitment and then came back with the bottom line and deducted \$10 billion for "acquisition reform" which the Secretary of Defense does not believe can be achieved. Of course, I have not developed that degree of cynicism, but some people might conclude that.

Secretary PERRY. Senator Nunn, you will be pleased to hear that I am not cynical about that either but I am concerned about it.

Chairman NUNN. Senator Thurmond.

Senator THURMOND. Thank you, Mr. Chairman.

Dr. Perry, later this week the Senate will be considering the 1994 emergency supplemental appropriations request. As I understand it, the supplemental is to reimburse the Department for unprogrammed expenditures for Somalia, Bosnia, Southwest Asia, and Haiti. What would be the impact on the services if the Congress did not fully fund this request?

Secretary PERRY. This would cause a serious adverse consequence on readiness in each of the three services because that money has been spent and committed that was not programmed for and the only plausible way of providing that money is out of the services operating accounts. So, all of the description that I gave to you about how we were going to be able to maintain readiness by putting more funds into the O&M account would be defeated by this action. So, it is crucially important to us to get that supplemental appropriation, and we have been strongly supported by the administration in our request for that.

Senator THURMOND. I believe that DOD is requesting \$1.2 billion as part of this package. Is that right?

Secretary PERRY. That is correct.

Senator THURMOND. It is very important that that be done, too.

Secretary PERRY. It is crucially important.

Senator THURMOND. Now, Dr. Perry, the fiscal year 1995 budget request of \$3.3 billion for the ballistic missile defense program in the 5-year defense plan calls for \$21 billion. The proliferation of missiles and weapons of mass destruction has made regional missile defense a top priority. Last year the administration reoriented BMD toward theater defense to counter threats like North Korea. Republican members agreed to this change in priority on the condition that the DOD develop the best TMD system technology would permit.

Recently the administration proposed a clarification of the ABM Treaty that would allow us to build TMD systems capable of intercepting modern theater missiles like the CSS-2, but that process seems to have bogged down and has produced no relief for the treaty for TMD systems.

In the meanwhile, the development of THAAD and naval upper tier for TMD is proceeding and already the capability of these systems is being artificially restrained because of the ABM Treaty.

Why should the committee approve \$21 billion for TMD systems that are not being developed to meet current missile threats, much less being made capable of countering threats that will exist by the time TMD is deployed?

Secretary PERRY. Senator Thurmond, I will work to achieve the most capable THAAD system which technology will permit us to have and I believe I will be successful in that goal.

Senator THURMOND. General Shali, many senior officers have expressed concerns that high operational and personnel tempo are having a detrimental impact on people and readiness. It is unlikely that there will be additional defense funding, nor will a CINC voluntarily reduce his requirements list.

What are you doing to reduce the operational commitments facing the service Chiefs?

General SHALIKASHVILI. One of the main reasons, Senator Thurmond, that we are facing these high operational tempos and that they are having this negative impact is that they were never budgeted for. So, I am delighted that you have before you now the supplemental that you addressed because that will bring money back into the services that can go against readiness, readiness in terms of the training that they missed during these operational deployments that are very narrow in scope sometimes, the status of their equipment.

Other than that, we are doing everything to ensure that we do not needlessly jerk people around and that we have a proper balance between the training deployments that they need to have to stay as sharp as they can be in the operational deployments, whether that is providing a no-fly regime over northern and southern Iraq or whether that it is providing sanctions monitoring on Haiti. So, I think the Chiefs are very mindful of that turbulence that you talked about and are doing I think a very, very good job to balance these two requirements.

Senator THURMOND. General Shali, last year there was an attempt to reduce the funding for the Selective Service and eliminate its contribution to the Nation's security. In the budget just submitted, Selective Service is funded at the \$23 million level. What are your views on the mission and necessity of the Selective Service agency?

General SHALIKASHVILI. Senator, I am of the opinion that the Selective Service continues to provide us the assurance and the mechanism should we need to reconstitute forces. It therefore should be maintained at the level that this particular funding provides. I have met with the Director of the Selective Service on this particular point, and I think what we have now is about right.

Senator THURMOND. It is essential that we retain it, do you not think?

General SHALIKASHVILI. That is right.

Senator THURMOND. Secretary Perry, in a January 31, 1994 article in the Army Times, Ambassador Armitage was critical of the organization within the Office of the Secretary of Defense for Policy. He felt that the number of Assistant Secretaries were balkanizing the policymaking process. He was also very critical of a directive which mandated the phasing out of uniformed military personnel from the ranks of OSD policy professionals.

What is your response to Ambassador Armitage's criticism, especially in regard to the directive which I believe is an offense to the professional service of many fine foreign area officials?

Secretary PERRY. The first is I believe strongly that we have some exceedingly capable civilians in the policy department of the Office of the Secretary of Defense.

Second, we also have some very capable military people who play a crucial role in that operation and will continue to play a crucial role. I will see to that.

And third, I believe that our organization is unnecessarily complex and has been counterproductive to some of the efficient operation of an organization, and I intend to make changes in that.

Senator THURMOND. Thank you. Thank you, gentlemen. My time is up I believe, Mr. Chairman.

Senator EXON [presiding]. Senator Thurmond, thank you very much. I believe Senator Nunn will be back shortly and I will proceed.

Since I may not be here for the second round, I must not go along with the Chairman's suggestions because I have a great deal of faith in both the Secretary and the General. I have some questions that I might ask later on the second round about the budget, but I would like to go to something that is uppermost on my mind today.

First, General, you have been in Somalia. We are destined to bring our troops out of there next month. How many troops do we have there at the present time, and what concerns do you have about our safe and orderly withdrawal?

General SHALIKASHVILI. I will provide you for the record the exact numbers that we have in Somalia both on land and afloat. [The information follows:]

As of February 8, 1994, in Somalia there were 3,650 afloat and 4,174 ashore for a total of 7,824.

General SHALIKASHVILI. My concern is that we are experiencing a continuing high level of lawlessness. There is no indication yet that this is anything that is centrally orchestrated, but there is a high degree of lawlessness in Mogadishu in particular. Therefore, we have to be particularly watchful that this does not get out of hand as we get closer and closer to withdrawing. So I have, with Secretary Perry's concurrence, ensured that we have the maximum number of combat troops that will stay there till the very last. So, from that standpoint I think we have done all the prudent things.

The other thing that I am very concerned about is that while there is no specific indication of a threat, that we minimize the threat to our troops as they are being withdrawn, and for that reason we have directed that all major troop transports out of Mogadishu from now on go by ship instead of plane so we do not have to face the tragedy of an airplane full of our soldiers being shot down.

But my main concern is to watch very carefully that Mogadishu itself does not disintegrate into chaos because that would make the withdrawal that much more difficult. So far General Montgomery, our senior U.S. commander there, has been doing an absolutely super job in protecting the force, keeping them properly occupied, not trolling for trouble, but making sure that they are firm in protecting themselves. In the last 3 months that I have watched him, I have been very impressed.

Senator EXON. Thank you, General.

I would like to go into the Bosnia situation which I think is uppermost on my mind and of many of my colleagues today. You have just returned, Mr. Secretary, from the Wehrkunde Conference. I am wondering if it came up officially or unofficially there.

I had a chance to chair a meeting of the Armed Services Committee with our counterparts from all of the NATO legislators within the last couple of weeks. I found deep division there, a lack of resolve as to what should or should not be done. The United Nations has been somewhat lacking in resolve. Now we seem to be moving.

I am going to ask you some questions and I recognize and realize and do not wish to tread upon the advice that you have given the President of the United States in this particular area. If you cannot answer some of these questions, I will understand.

I read your statement, General, particularly where you address many of the concerns that I have. I would simply say that as far as our forces are concerned, you said, "if someone had asked us 5 years ago were we planning to go to Kuwait, or to Somalia, or to contain the violent disintegration of a nation in the heart of Europe"—I would simply add to that I remember returning from World War II. Who would have thought that 5 years after that, after we were going through a significant build-down, that we would be involved in violent combat in Korea and 10 years after that in Vietnam? So, history has a tendency to repeat itself. You have both done a very good job in that area, bringing it to our attention.

It seems to me that with all the feeling in Europe today and the vacillation in the United Nations, we must tread very carefully on what we do or not do with regard to what seems to be coming to the fore now. Let us just send some aircraft over there and do some bombing of those Serb positions around Sarajevo.

What can you tell me, Mr. Secretary, with regard to what, if anything, came up on this matter at your Wehrkunde Conference, and what are your positions about my feeling that the Europeans seem deeply divided and uncertain?

Secretary PERRY. First of all, let me say that our objectives in Bosnia are to facilitate a peace agreement that is reached there as promptly as possible and one that has some probability of being sustained.

Second, while in the interim before that is done, to do everything we can to prevent the spread of the conflict, the spread of the violence to other regions.

And third, do everything we can to minimize the violence and casualties over there before that peace agreement is reached.

And fourth, during this period to provide humanitarian aid, to assist in every way we can in that regard.

If a peace agreement is reached and if it is one which could be sustained through a peacekeeping operation, then I believe we have some responsibility to participate in that peacekeeping operation. I think the peace of Europe will be greatly benefited by that act.

Now, there are several different things we can do beyond what we are now doing. First we could play a more prominent role in the efforts to bring about peace in that area, and second, we could take a more active role in trying to prevent or to minimize the violence in the interim between now and when that peace agreement is reached.

There is nothing that the United States can do to force either one of those outcomes or should do to force either one of those outcomes, but I believe there are many things we can do to influence that in a positive direction and that we should try to do that.

Senator EXON. Well, my time is up. Just let me say this, Mr. Chairman, I simply say, for what it is worth, a little free advice. It is my concern that if we start bombing those gun emplacements and it does not work, does not deter, then where do we go from

here? It seems to me if we are going to go that route, our NATO allies and others should recognize the next logical step might be to tell the Serbs if they will not be deterred with initial action, that we should go after their warmaking machinery and communications and rail lines and factories. I just wish to say I have to think we should have a policy to fall back on, and I do not think we should go without a winnable goal, which right now I do not think we have.

Thank you, Mr. Chairman.

Chairman NUNN [presiding]. Thank you, Senator Exon. Senator Warner.

Senator WARNER. Mr. Chairman, I will follow on. I too have reservations about the air strikes, but I am concerned about threats. To me, that might constitute a threat, Senator Exon, if we were to outline successive targets which move more and more to the heartland of Serbia.

I will move to this point. I am concerned about it, as is I think every one of our Senators. Bosnia represents the most complex or one of the most complex political/military decisions ever facing a President in this century, and it is the reason that there are so many—or so few, I should say—so many unanswered questions leaving so few options by which a President can act in this situation. It seems to me you have three assessments you have to make.

The Chairman of the Joint Chiefs and his colleagues have to decide it. What can you achieve by successive air strikes? Just artillery and mortars, all of us doubt that will succeed, and whether you threaten an option to go on and take out bridges and major supply depots and start tracking your bombs closer and closer to Belgrade, to me that is not an option.

Then Europe has shown a great reluctance throughout to solve this problem and they might seize upon failure of an air operation as reason for them to withdraw and say, all right, USA, it is your problem now. You take over. This concerns me.

Last, I have to tell you you have to make what I call a homefront assessment. We saw in Somalia the tragedy of a 2-day military operation, October 3 and 4, the loss of brave men and death of many others, some 70 plus wounded. What happens? The Congress practically flipped the President right over, stripped him of the policy, and almost, within a few votes, demanded to bring home the troops by Christmas, thereby abrogating in many respects his constitutional—not abrogating, but exercising our right to withdraw the funds which, in effect, would take away his constitutional authority as Commander in Chief.

You have to make a home-front assessment as to what is the will of this country to back up air strikes, the loss of airmen, and the like. Senator McCain has spoken out on this issue. He has more experience than the rest of us and I hope he will address it.

But let me return to the budget. First, John Hamre, the Comptroller, we welcome you, as well as we welcome our two principals. I am pleased, Mr. Secretary, to see that you are retaining on your team so many of the Presidential appointees that you have worked with in this past year. A good team.

You used the term "peace dividend." We ought to reconsider whether or not we just drop that. I find few facts in the world to

indicate there is peace out there. If anything, this is a series of charts which show the dollars that flow from a reduction of forces, a reduction of procurement, and a reduction of defense spending and it is not associated with peace.

As a matter of fact, I ask you to clarify in your statement—I will read it to you—one sentence. "Finally, this budget reinvests defense dollars into other areas of the economy, including deficit reduction." Yet, you say as some of your goals in here that you—here it is right here. On this chart, 1995 budget, you say "reinvests defense dollars." I presume you meant by that outside of the defense budget in other areas of government spending, not inside the defense budget.

Secretary PERRY. I was referring there to the roughly \$3 billion of defense dollars of the budget which is spent in dual-use technology, which is defense appropriations.

Senator WARNER. You ought to really clarify that because I do not think we should call it a peace dividend.

Secretary PERRY. I accept that advice. That is good advice.

Senator WARNER. All right, good.

Now, during the State of the Union Message, we were all very pleased to see President Clinton use the phrase "hold the line on defense spending," and given that each time the Chairman and ranking member of this committee take the budget to the floor of the Senate, there are always those who come up with innovative ideas of how to cut, particularly those who want to cut across the board.

To help those individuals think through next time, tell us what were the factors that led the President to make the decision to hold the line. You worked with him. You were in the sessions. What were the factors that led to that important decision he made and one I support?

Secretary PERRY. I cannot put words in the President's mouth, Senator Warner, but certainly the factors which led me to recommend this to him and I think were probably influential in his decision were reflected in the points that General Shalikashvili was making in his testimony. This is a very dangerous world and there are many prospects of military conflicts facing us. He mentioned some of them, such as the problems we are looking at in Bosnia today, the problems we are looking at in North Korea. All of these suggest that we must maintain a very strong and a highly ready military force.

Senator WARNER. Well, I hope that in the course of the floor deliberation, that we can call upon the President to reiterate that reasoning in the face of calls to cut across the board and other cuts which the members of this committee deem unwise.

General Shali, there has been a debate, and I thought your predecessor at various times was very courageous in addressing what he perceived as an imbalance between the force level of Active forces and that of the Guard and the Reserve. Give us your view with respect to the charts that we have just seen for the projected future.

General SHALIKASHVILI. I think, first of all, there is an absolute need to have a balance between the two, between the Active and the Reserves. I am about as delighted as I can be about the work

that has been done in the last few months, particularly in the Army with the Army National Guard and the Army Reserve on coming to an agreement in shaping that balance. I think what you see reflected here puts us on that glide path. I think we have not been that well off in a long time. I am very encouraged.

Senator WARNER. So, you say as of today and projected to the future, you are satisfied with that ratio between Active and Guard and Reserve.

General SHALIKASHVILI. I am very encouraged by the process they have set in motion. Absolutely, Senator.

Senator WARNER. My time is up.

Chairman NUNN. Thank you, Senator Warner.

I believe Senator Lieberman is next.

Senator LIEBERMAN. Thank you, Mr. Chairman.

Mr. Secretary and General Shali, I have some questions about Bosnia, but I am going to control myself and ask them in the second round when I have a chance. I have some different views from my two friends and colleagues who have spoken because I do worry about the fact that the policy that we have followed for the last 2 years in Bosnia has not worked to stop the war and stop the violence.

I also worry about the impact of our credibility when we, through NATO essentially, make a threat as we did 9 months ago, and we do not follow through and what effect that has on stability in Europe, not to mention on other places in the world, such as North Korea.

But I want to come back to the budget and focus in for a moment on industrial base questions. Mr. Secretary, you have had extraordinary experience in this area. Your views are very well developed and I appreciate them.

On the question of maintaining the unique defense industrial base to maintain a capacity to build weapon systems, we tend to focus on the big contractors. As you know better than I, underneath those big contractors is this vast network of thousands of smaller firms who supply the parts to the bigger firms. Does the policy that we are following to maintain the industrial base as reflected in this budget account for or attempt also to protect that part of the base underneath what is most visible without which the base would be constrained?

Secretary PERRY. Yes, it does, Senator Lieberman, at least conceptually. I would put two qualifications on that.

First, as you can appreciate, when you consider all of the first tier and second tier subcontractors that are out there, it is much more difficult to keep track of every component of that industrial base down to the second tier subcontractor level as compared with understanding the status of, let us say, half a dozen aerospace contractors.

The second point and I think the more important point is that much of these first and second tier subcontractors are supplying components or subsystems which are also used in one form or the other in commercial products. Therefore, to the extent that we can remove the requirement for unique military specifications in buying these components and subsystems, we can have a much broader industrial base available to us. That is one of the major objec-

tives, as you know, of our acquisition reform program, to broaden the access to that broad industrial base that is out there and not be limited to the special purpose defense sector.

Senator LIEBERMAN. Thank you for that answer.

General Shali, again let me begin this question by saying what is obvious, that all of you are being forced to make some very difficult decisions between not only personnel requirements, but procurement decisions. I continue to worry about the extent to which the process has forced you to make cuts in programs that still have valid mission requirements.

I am thinking of the example, at the moment, about the cuts in this budget in the Navy and Marine helicopter programs which, at least from random conversation with a fair number of people in uniform, seem to fulfill a valid mission requirement. These helicopters are being used now quite actively, and the kinds of replacements that normally would have been in the budget will be needed as we make sure that our men and women in uniform have the equipment they need when we put them in harm's way.

Are we being in this decision—I focus on because I know something about it with regard to the Navy and Marine helicopters—penny wise and pound foolish?

General SHALIKASHVILI. I hope we are not, Senator Lieberman. I think in the final analysis, however, it was an issue of priorities and where you have to apply your resources. I know that Secretary Perry and his staff and we as the Chiefs were involved in that decision. It was not something taken lightly, but it was a decision that in this area of prioritizing, the Blackhawk variants were the ones that we could not afford in consideration of what else we needed to bring on to keep the force modern.

Senator LIEBERMAN. I appreciate the answer. So, it is not so much that a conclusion was made that there is not a valid mission requirement. It is just that with the money given you, you could not afford to purchase everything for which there is a valid mission requirement.

General SHALIKASHVILI. I think it is a lower priority issue.

Secretary PERRY. I would like to add to that, Senator Lieberman.

Senator LIEBERMAN. Mr. Secretary.

Secretary PERRY. It was also a question of the Navy wanting to standardize and reduce on the number of helicopter types that it had so that their ongoing maintenance would be simpler and easier.

In terms of industrial base questions on helicopters, while we cut the seven SH-60s from the budget, there still remain in the budget about 60 H-60s. Therefore, from an industrial base point of view, our helicopter production capability is in good shape.

We will be confronted with a much more difficult decision in about fiscal year 1997 because the Army is planning at that time to conclude its orders for the H-60 helicopter, and at that time we will be faced with a substantial issue on industrial base because I would rate helicopters as an industrial base issue much the same way as some of the other systems we have talked about before. That problem is a few years ahead of us, but it is not too early to begin planning for it right now.

Senator LIEBERMAN. I thank you for that answer. I understand what you are saying. On the Blackhawk variants, the Navy and Marine helicopters, what we are talking about is mission requirements, though the budget, as you presented it to us, I hear you say does protect the helicopter industrial base, if I can put it that way, until we have to make the tough decisions that you talk about probably around 1997, all in the interest of getting us or keeping that base alive to build Comanche in the next century which everybody wants.

Secretary PERRY. Absolutely. That is a difficult problem that is still ahead of us.

Senator LIEBERMAN. But that one we do not have to deal with this year.

Thank you. Thank you, Mr. Chairman.

Chairman NUNN. Thank you, Senator Lieberman. Senator Cohen.

Senator COHEN. Thank you, Mr. Chairman.

Let me say on behalf of at least this member what an extraordinary job the Secretary did at the Wehrkunde Conference. He arrived Saturday morning after an overnight flight. He sat through all of these sessions with Chancellor Kohl and others through the end of the day, gave a truly eloquent presentation on behalf of Manfred Woerner, and then was up half the night with Admiral Boorda and General Joulwan and General Jones preparing for an evacuation of the wounded. He then went into the next morning and gave a truly outstanding performance and the statement of the administration's position and policy before running into the problem of having to fly on the non-Air Force on the way back, but that was the only mishap along the way. We really are proud of the way you conducted yourself, Mr. Secretary.

Secretary PERRY. Thank you, Senator Cohen. I also thank you for making your plane available to me. [Laughter.]

Senator COHEN. Well, I think the Chairman underestimated the leverage that I really seek to exert over you.

But let me just quote for a moment what you did say at the session. You were quite eloquent in that presentation on Sunday morning. You talked about the warning signs of history being all around us and from W.H. Auden and the quatrain you quoted, "In the nightmare of the dark, all the dogs of Europe bark and the living nations wait, each sequestered in its hate." I think you quoted that to say that we did not listen to the warnings and, as a result, we found World War II and 25 million killed and hundreds of thousands more wounded.

There was another portion of a poem that Auden wrote also. It says, "History held a moment too long burns the hand." I really think that we have to hold history just a little bit longer in our hands because you and the administration are under tremendous pressure to do something. That was over there during the conference. It is here even now as we speak. I am sure that pressure is on.

Some of my colleagues here today have indicated that we may be suffering a loss of credibility because we are not doing something, that which we promised to do 9 months ago. The easy answer is do not promise to do something in the first instance. I must tell you

it used to be a policy in this country of never disclosing what action we are going to take against a potential adversary, never disclosing that in advance. Now we tell them what we are going to do in advance by way of threats and do not carry it out. I must tell you that threats end up being as hollow as the Army we had back at the end of the 1970s.

So, air attacks seem to be the mantra of the day. I must say I think Senator Exon or someone mentioned that Somalia was an example. Somalia I think is only the latest example of the mistakes that we make when we fail to take into account the consequences that flow and the contingencies that we have to consider.

I would disagree with the suggestion that we flipped on Somalia because we lost 12 men and women and another 78 or so wounded. That is not why we flipped I must tell you. In my judgment the reason that there was a change is because Congress did not believe the administration had in place a plan to meet the contingencies that would flow when we changed the mission from being one of delivering humanitarian aid to taking sides.

So, I think we have to proceed with a good deal of caution. At the end of the tunnel, there is not only either a train or a light, but it may be a deeper and longer tunnel. So, I would hope that you would continue the policy you articulated at Wehrkunde in being very cautious in calling for action unless we have thought through all of the consequences in the event that the Serbians do not accept our behavior modification plan that may be inspired through air strikes.

I would like to ask in the budget itself now as to whether team spirit is funded. Does this budget contain funding for the conducting of a team spirit exercise?

General SHALIKASHVILI. Yes, sir, it does. In 1995 it does.

Senator COHEN. How much has been budgeted for that, do you know?

General SHALIKASHVILI. I will have to give you that for the record.

[The information follows:]

Our fiscal year 1995 budget submission is based upon planning estimates. For those costs we are able to segregate and project, our current estimate for Team Spirit 95 is \$47.7 million.

Senator COHEN. You touched upon this in the answer to Senator Lieberman, but you do talk about the need to preserve critical capabilities in the industrial base and in particular our submarine force and the *Seawolf*.

What impact do you think the helicopter manufacturing base will have after the Navy has canceled all of its helicopter procurement programs? I am talking about the CH-53 Echo, SH-60B LAMPS, SH-60F, and the HH-60. All of those have been canceled. What kind of a base are we going to maintain for Navy helicopter capability with the cancellation of these programs?

Secretary PERRY. We will maintain a viable industrial base for helicopters through fiscal year 1997 and we face a substantial problem after that. I do not have at this stage a solution to that problem to describe to you, but I can tell you it is foremost in my mind.

Senator COHEN. In your judgment, Mr. Secretary and General, is Korea worthy of a higher priority in terms of our focus as opposed to Bosnia?

I have been looking at some of the reports coming out about our capabilities as far as should there be a conflict in Korea, what capability we have. I will just read a couple to you here. We have our military officials quoted. North Korea will be the critical major military threat for the next few years, and that will remain so even if there should be some agreement on the nuclear issue and on and on in terms of what kind of capabilities have been moved down by the North Koreans.

A statement is here that while we have 35,000 troops, only one of the three Air Force squadrons there is equipped with a special targeting pod that allows pilots to fight effectively at night and deliver laser-guided smart bombs.

Are we getting ourselves in a situation where we may now be forced to choose between how we are going to allocate those resources to Bosnia or Korea?

General SHALIKASHVILI. I do not believe so, Senator. I stay in close contact with our commander in the Pacific and with our commander in Korea to ensure that they not only continue the assessment of what it is they need, but that they also signal that assessment to me and I, in turn, can bring it to the Secretary. I am satisfied that he has very carefully evaluated his requirements for the defense of Korea and that right now he feels he has signaled to us what needs to be done to increase his capability to defend himself and the administration is working on that. I do not think it is a balancing act between Bosnia and Korea at this moment.

Senator COHEN. Thank you. Mr. Chairman, my time is up, but let me once again commend the General and the Secretary for the way in which we responded to that horror in Sarajevo. The team went into immediate action. They got the aircraft in to get the wounded out, and I must say it was really a credit to us.

One final point I would make is that as we look at the situation in Bosnia, we have to resist the temptation to find and point the finger at only one villain. With the exception of the civilians who are being killed and mutilated, there are no innocent parties. There are differences and degrees of guilt, but we have to keep that in mind as we decide whether we are going to be coming in on one side or the other as we proceed down this path.

Thank you, Mr. Chairman.

Chairman NUNN. Thank you, Senator Cohen. Senator Glenn.

Senator GLENN. Mr. Chairman, I want to associate myself with Senator Cohen's remarks, without repeating all of them. I thought not just your performance, but your actions, your substantive actions over there at Wehrkunde were excellent. I think it set the right tone for your tenure as Secretary of Defense. So, I just wanted to congratulate you on that also.

On the O&M accounts, depot maintenance, and so on, I will not go through all of those again. I was very glad to see in the budget an increase of \$4.9 billion in those accounts.

I get disturbed when already, though, we are talking about supplemental this week and maybe not including something for the peacekeeping accounts. We come back and, as you said, once again

here we go. If we do not have those in the supplemental, as I understood what you said a while ago, they will probably come out of the O&M accounts. O&M is looked at always as the deep pockets, as the cash cow for everything else people want to do because they are fast spend-out accounts. So, I was glad you made that point in answer to Senator Thurmond's comments a little while ago.

We could give a lot of detail on depot maintenance, but I will not get into all of it, except to say that in 1994, we saw a growth in backlogs of 77 percent. The Army was 42 percent short; the Navy, 22 percent short; and the Air Force, 20 percent short. We cannot go on building up a bow wave of depot maintenance backlogs like that or we will soon not have the equipment out there when we are required to use it sometime. So, I am glad to see you are reversing that trend.

General, let me ask you a question on this. The results of the Bottom-Up Review came in just about the time you became Chairman. We do not have any way of validating things like the Bottom-Up Review short of combat except for war gaming. Are you doing a full scale war gaming effort this year at all different levels?

General SHALIKASHVILI. We are engaged in an effort right now between the commander in the Pacific and General Hoar in CENTCOM and our J-8 folks on the Joint Staff to do the first analysis that in a more realistic way gives us a check whether we in fact have sufficient forces to do the two nearly simultaneous MRCs and looking specifically at the sort of things like intelligence systems, strategic lift systems, and so on that we might have to flow from one theater to the other.

This will lead immediately into a very extensive war game to make sure that we can then, even in a more robust way, test that out. So, I think we are engaged in a fairly wide ranging program to do that, but we just started.

Senator GLENN. If you could keep us advised on that, we would appreciate it. We would like to be involved as much as possible so we can see any shortcomings that you are turning up as early as possible. I am chairman of the Readiness Subcommittee and we want to get going on those things. We do not want to wait for another year's budget. We would rather be working on problems in the interim if we have to work out some bugs, and we may have to because this is quite an extensive change that you are going through.

Another subject, General. When General Schwarzkopf came back, he gave us several areas where he thought there were shortfalls of equipment and/or techniques or whatever as a result of Desert Storm. Now, I know that we cannot base everything for the future on Desert Storm, but some of the things he pointed out are things that are going to be problems wherever we go and whatever happens, Desert Storm or North Korea or wherever, things such as strategic lift, mine countermeasures, friendly force identification, tactical air reconnaissance, the roundout brigade concept, fast sea-lift, night flying capabilities for the AV-8B, night vehicle identification capabilities for the Cobra and other helicopters, and increased missile detection. Those ID problems—there is nothing more

unpardonable than hitting friendlies, as we know, when you are out there in combat.

Are all of these things covered in this budget? If not, why not?

General SHALIKASHVILI. I would have to look at your list and then give it back to you for the record, but from listening to you, I think most of them that I heard you say are covered in one way or the other. For instance, the big ticket item, such as strategic lift, certainly is addressed in it and if we are going to talk about the strategy of getting to be able to fight two nearly simultaneous MRCs, strategic lift, both air and sea, is, of course, critical and they are the big ticket items. Those are addressed.

Senator GLENN. If you could give us a letter back on that or brief us on it. I sent a letter to the Secretary of Defense on December 3 asking about these things and asked for a briefing on them. I would appreciate either a letter back or a briefing, as we requested, as early as you can manage it.

Over into the financial management area, Mr. Secretary, which we have talked about before, and which we talked about at your confirmation hearing. Secretary Cheney did the DMR and out of that came the creation of DBOF, consolidation of depots, transfer of item management in some cases, consumable items from the services to the Defense Logistics Agency. Secretary Cheney claims some \$70 billion savings would be saved over a 5-year period and I guess worked back into the budget. Now, I do not know whether you agree with all those things and the figures he gave. Some of those commitments are things that you are apparently going to have to live up to that he thought were going to be savings.

How is that working and what are we doing in that area? Are we going to get those savings? Are you going to have difficulty making those savings; or how is that coming?

Secretary PERRY. I think the problems he identified and the reforms he undertook were well conceived. The implementation of those programs has been slow and in some cases ineffective. I have never been able to determine a good basis for the cost savings that were projected for that. As a consequence, we revised the budget already back in 1994 to take many of those savings out of the budget because we were not confident we were going to be able to get them.

Senator GLENN. In the area of financial management, I know this is early on in your tenure, but can you give a rundown on the management changes you have planned? I know you have Mr. Hamre as DOD Comptroller and we are all familiar with John on the committee. We are looking to him to be one of your wizards of change over there in this financial area. Can you give us a rundown on that?

Secretary PERRY. We have a vigorous program underway in management reform. I think this is of such significance that I would recommend to this committee or one of your subcommittees to schedule a hearing on that in the near term so we could lay this out for you in much more detail than we can in just a few minutes right now.

But one of the underlying elements is standardizing the language and the subsystems and the operating systems that tie all of our financial management systems together. The inefficiencies that re-

sult from the literally hundreds of different ways of describing language and hundreds of different ways of computing systems is one big factor.

A second area of major change that is required is that functional areas like personnel and functional areas like the payroll are not connected with each other. That is, they are two separate systems. Therefore, we have an accident prone system. The communication that is required for many of the day-to-day, routine functions we perform is really not done well because these are two independent systems.

These are some examples of the problems we have identified and the specific programs we have introduced to change them. We see this as a long-term reform effort. It will take us several years I think to make a major difference on this system.

When we first started working this a number of months ago, there was a fair amount of resistance within the functional units of the Office of the Secretary of Defense and within the services because each one would prefer to work their own systems on it. I believe we have been successful in convincing them that what we are looking for is not centralization. We are looking for standardization of approach where the execution will continue to be decentralized. As they understand that and come to see what we are trying to do with the reforms, we are getting much better cooperation and support from the services on this now.

Senator GLENN. Thank you. My time is up.

Chairman NUNN. Thank you, Senator Glenn.

On the subject Senator Glenn raised, if you could furnish for the record, Dr. Perry, a breakdown of how much savings were assumed in the Cheney budget, what was done last year—I know there was a \$10 billion contingency in there—and how those savings are being realized now in accordance with the Cheney projections. If you could furnish that for the record so we will have it on one sheet of paper.

I would also ask if you would furnish for the record—this will probably require a request to OMB, but if you all could make that request—how they anticipate that \$10 billion is going to be saved in acquisition reform over 5 years and how much of it will be allocated to defense. The same question for fiscal year 1995, how much of the \$750 million is going to be taken out of defense, if any? We would like to know where that money is coming from.

[The information follows:]

Secretary Cheney estimated the savings from his Defense Management Report to be about \$70 billion for fiscal years 1990–1999. When we took office in 1993, we were not able to determine a good basis for those savings in the years ahead. Therefore, in modifying the Bush/Cheney defense program to prepare President Clinton's fiscal year 1994 defense budget, we included a \$10 billion offset for fiscal years 1994–1997. This reflected our estimate of the savings that we knew we could not guarantee.

After the Odeen panel reported its findings as to how much the Bush/Cheney defense plans were underfunded, OMB added \$13 billion to the DOD topline for fiscal years 1995–1999. DOD's fiscal years 1995–1999 defense budget projections now include only those savings that we believe we can deliver.

Regarding the savings assumed in the President's budget for reinventing Federal procurement, OMB deductions for these savings for fiscal years 1995–1999 total \$12.3 billion in budget authority and \$10.6 billion in outlays. The allocation of these cuts among agencies was determined by the proportion of total Federal procurement for the agency. DOD's portion of the allocation for fiscal year 1995 is \$321 million

in BA and \$239 million in outlays—about 45 percent of the total OMB allowance for that year. Achievement of these savings depends on congressional passage of procurement reform legislation.

Secretary PERRY. We will be happy to do that. I would remind you, Senator Nunn, that at the time we first discovered this substantial amount of savings that had been attributed in the budget to the financial reforms by the previous administration, we concluded then that they were at least \$13 billion overstated and requested and received an increase in top line funding to accommodate that.

Chairman NUNN. I recall that.

Secretary PERRY. But we said then and we believe now that was not the final assessment. That was an interim assessment on the extent of the problem. So, the update is very appropriate.

Chairman NUNN. Right, good. Senator McCain.

Senator MCCAIN. Thank you, Mr. Chairman, and thank you, Mr. Secretary and General Shali, for joining us again.

I would like to discuss the Bosnia situation with you. I would like to repeat the admonition of my colleague from Maine, Senator Cohen, who believes, as I do, very strongly that we should stop making threats. According to one media outlet, the President for the 10th time this morning or yesterday threatened air strikes. This not only discomfits and confuses our allies, but it also encourages people like Kim Il Sung, where I believe the next real crisis may come for this Nation. I believe that Kim Il Sung really has two choices: one, to refuse to allow inspections, or to allow inspections and allow us to discover that he is in violation of the treaty that his government signed.

If you want to act positively to help the situation in Bosnia, you should urge the lifting of the embargo. We should say as a Nation that we want the United Nations to lift the arms embargo on Bosnia and if they do not, then we will proceed unilaterally to assist the Bosnian Muslims in defending themselves and their territory and, in the words of a British diplomat, at least level the killing field. If you want to do something for them, do that. That is what they are asking for.

Now, it is my understanding that the administration is about to announce a policy that requires the Bosnian Serbs to move 20 miles from Sarajevo and that we will enforce that policy with air strikes, if necessary. I think this is an incremental, bureaucratic solution. History shows us that air power alone never decisively determines the outcome of any conflict or confrontation. You, General Shali, testified exactly to that in response to my questions when you were head of NATO. You may have changed your views. I would be interested in why when this policy comes out.

I also believe that if we are going to embark on this slippery slope, which it is, the Congress of the United States should ratify such a decision. I, for one, would strongly urge some kind of approval from Congress, which you may get given the sentiment in the country and the horror and the outrage at what has happened in Sarajevo.

Let me also point out that we need to know who is in charge and who is giving the orders. Some people believe that Field Marshal Boutros Boutros-Ghali will now decide whether the U.S. launches

air strikes or not. Some believe that it is NATO. The American people believe that it should only be the U.S. Commander in Chief, and that is the President of the United States. I hope that this confusion will be cleared up as rapidly as possible.

If you embark on this policy, you must be able to tell the American people what you plan to do if it fails. What is the next option if this does not work? Do we say, as did a commentator on a TV show last night, well, if it does not work, then we will just stop? Or do we have to embark on the inevitable next step, which is the injection of ground troops?

What do we do about civilian casualties? It is clear that the artillery pieces, the mortars, and other weapons are cleverly concealed in buildings near schools and churches, where there are population centers. Do we have the kind of capability in that weather and that topography and that demography to effectively carry out the kind of precision air strikes that we were able to in Desert Storm? Most people tell me that is not the case.

If we are going to relieve the siege of Sarajevo, are we therefore going to relieve the siege of Mostar and other cities that are under siege by the Bosnian Serbs, or are the people of Sarajevo the only fortunate ones?

What about the safety of the U.N. peacekeepers who we all know are lightly armed and are spread throughout Bosnia at this particular time?

What is the objective of this military exercise? Is it to ensure that we can provide humanitarian relief to the people of Sarajevo? Is it to bring an end to the war? Is it to bring the parties together? Is it to punish the Bosnian Serbs who inflicted the terrible carnage and horror that we all saw recently? I think we at least need to know what the objective of this policy is and how long we intend to carry out such a policy.

By the way, I think like all incrementalist policies, including during the Vietnam war, this policy may enjoy some initial success while the Serbs make adjustments in their tactics and their strategy. But to believe that air power alone will beneficially affect the situation in Bosnia flies in the face of the views of every military expert that I have spoken to and every reading of history that I have engaged in in this century.

So, Mr. Secretary I guess my question to you is, if this policy is implemented, what is the option if it fails to implement our goals, whatever they may be, in Sarajevo?

Secretary PERRY. Senator McCain, those are excellent questions, very well formulated. I am not able today to address those questions. I hope to be able to do that in the very near future.

Senator MCCAIN. General Shali, you testified before this committee last year that tactical air power alone in the climate and topography of Bosnia is generally not effective. Do you believe that it can now be effective?

General SHALIKASHVILI. I believe that my statement then that its effectiveness is considerably limited still holds. I do not walk away from the statement, nor do I walk away from the statement that air power alone cannot bomb someone into a peace treaty. I do not disagree with that at all, and I know I have said it and I stand by it.

I think the issue, however, Senator McCain, that is being debated and that will be debated in the NAC here in the next day or two is whether you can use limited air power not to stop, but to help reduce the chance of a tragedy that occurred in Sarajevo the other day. It is in that narrow context. That is the question I think that the NAC is going to debate when it meets, not whether you can bomb someone to a negotiating table, not whether it is an all or nothing solution. Can you do something that would reduce the chances of something like that happening again?

Senator MCCAIN. Do you believe, Dr. Perry, that the Congress should be consulted before a policy like this is implemented?

Secretary PERRY. Yes, I do.

Senator MCCAIN. Thank you very much, Mr. Chairman.

[The prepared statement of Senator McCain follows:]

PREPARED STATEMENT BY SENATOR JOHN MCCAIN

Dr. Perry and General Shalikashvili, I appreciate the opportunity to express to you, who are charged with ensuring our national security, my serious concerns about the President's fiscal year 1995 national defense budget request.

I remain concerned that the Clinton budget cuts defense too fast and too deep. If approved, the proposal submitted to Congress yesterday will result in a 35 percent real cut in the defense budget since 1985, and another 10 percent real reduction by 1999. Although full details are not yet available, I am concerned that the capability and readiness of our military will continue to decline under the administration's proposals.

Last July, I published a compilation of responses from the Chiefs of Staff to my questions about the readiness status of the military services. This publication, entitled "Going Hollow: The Warnings of Our Chiefs of Staff," contains page after page of statements from the Chiefs that readiness is already declining in each of the services, and that underfunding will only exacerbate the problem.

Nearly a year later, it does not appear that the President's budget request adequately addresses these serious problems. The Pentagon disingenuously claims to increase spending on readiness by \$5 billion. Yet only about 20 percent of that amount is allocated to readiness-related programs. Operational training rates, which the Pentagon claims are maintained at current levels, actually decline in several areas compared to training rates at the end of the Bush administration. Without adequate training, our smaller force will be less ready to fight and win any future conflicts.

The men and women who serve in the Armed Forces are denied a full pay raise in the Clinton defense budget. Cost-of-living allowances for military retirees are delayed until October, while civilians retired from Federal service will receive their COLAs in April. Once again, the Clinton administration is singling out military personnel and retirees to bear an unfair burden of deficit reduction. This disregard for the financial security of military personnel who are serving or have served their country has a severe negative impact on the morale of our troops.

Only 3 years ago, we went to war in the Persian Gulf as the most combat-ready force in the world. The value of that readiness is clear in the massive victory we achieved in just a few weeks with minimal loss of life. Today, that readiness is beginning to evaporate. Our forces are going hollow. Few future opponents are likely to allow us time to get ready for war. If we are not ready, the men and women we send into combat will pay for our negligence with their lives.

Dr. Perry and General Shalikashvili, these are serious matters which I intend to pursue in the Military Readiness Subcommittee, on which I serve as the ranking Republican. I look forward to your assistance in remedying these and other shortfalls in this budget and restoring the readiness of our Armed Forces.

Briefly, on another matter, I was unable to attend the committee's hearing last week concerning the Service Academies because of a family emergency. However, I want to express my views concerning the problems at the Naval Academy and particularly my support for my good friend, Admiral Tom Lynch, the Superintendent of the Academy.

Honor . . . duty . . . loyalty . . . character. These words, which form the basis of the Naval Academy's mission, have as their common thread one irrefutable principle and mandate: the development of character. This goal must be the polestar by which every member of the Naval Academy is guided, whether officer, faculty, ath-

letic coach, or midshipman. Every other laudable goal, be it academic excellence, athletic prowess, or community involvement, is secondary to this purpose.

Service Academies have a unique opportunity and special responsibility to provide an environment that cultivates, indeed demands, the personification of honor, loyalty, integrity, and moral courage, the qualities essential to military leadership. Instilling the highest sense of honor in midshipmen is at the heart of character development. As my good friend and fellow POW, Admiral Lawrence, has said, Annapolis "must graduate special persons-officers who will place the interests of the country and the welfare and safety of their subordinates above their own."

The Honor Concept is more than simply a set of rules or procedures; it is a way of life. From Induction Day, midshipmen must realize that the content of their character, and the degree of attention given to it by the Academy, are central to their development as future officers. When midshipmen live the honor code, it must not be solely for fear of punishment, but because they aspire without reservation to the right course of action.

When the Brigade returns to the Academy at the end of the summer, these lofty and enlightened ideals are soon overshadowed, as, to paraphrase Admiral Lynch, every midshipman is pulled at once in different directions by the competing demands of academic, athletic, and training requirements. As a consequence, the Honor Concept has become, to some midshipmen, just another obstacle to be overcome, rather than an ideal that can indeed change the way they live and the way they view themselves.

Navy leadership at all levels has paid too little attention to the development of character at the Naval Academy. However, I can say with great certainty that this lack of attention did not materialize just in the 2 years that Admiral Lynch has been at the helm as Naval Academy Superintendent. As the committee appointed by the Naval Academy Board of Visitors and the Secretary of the Navy determined, the entire Nation's "loss of innocence" can be attributed to the late 1960s when, I believe, the Naval Academy, too, began to drift off course. I am confident that Admiral Lynch will correct this drift, as he has endorsed and begun implementing fully the Honor Review Committee's recommendations, which will restore character development and honor to their proper place as the essence of the Academy's mission.

Chairman NUNN. Thank you, Senator McCain. Senator Byrd.

Senator BYRD. Thank you, Mr. Chairman.

Secretary PERRY, today we marked up a supplemental appropriations bill that includes \$1.2 billion for the Department of Defense. That is to reimburse the Department of Defense for monies expended in various operations which are U.N. operations in Bosnia, Somalia, Haiti, and Iraq.

Also, I see in the regular budget an item in the amount of \$300 million for the Defense Department to pay U.N. assessments for DOD participation in peacekeeping operations in 1995.

Do you anticipate a repetition of these supplemental requests in the future for recompensing the Department of Defense, such as we have just acted on in the Appropriations Committee? I do not personally approve of that approach, but this year I am supporting that request because it can amount to a way of supplementing DOD appropriations and adding to the DOD budget.

But what about the \$300 million? That is separate from the activity that the Appropriations Committee has just provided for. What is the \$300 million to be used for? Do we have any details? Or is this something that is prospective?

Secretary PERRY. The \$300 million is the U.S. Government's share of the so-called Chapter VII, the peacekeeping operations conducted by the United Nations, and it is prospective.

Senator BYRD. Is it peacekeeping or peace enforcement?

Secretary PERRY. Peace enforcement. Pardon me. The Chapter 7 is the peace enforcement.

Senator BYRD. Now, I suppose we do not have any details as to what that would be spent for because that is prospective, as you say.

Secretary PERRY. Yes. I have no details on that. That is correct Senator Byrd.

Senator BYRD. What might we expect next year by way of another such request?

Secretary PERRY. It is very difficult to predict what the need will be, but I think that the \$300 million is a reasonable estimate of what it might be next year, representing a balance between needs and what we are able to take out of the defense expenditures. This money competes with other things we do in defense, of course.

The \$1.2 billion in the supplemental, I am happy to hear your willingness to support that. That, of course, is for money that is reimbursing money that has already been spent for operations already conducted.

Senator BYRD. And we might anticipate a similar request next year?

Secretary PERRY. I would prefer—and I have testified to this committee before—that we would include in our budget prospectively an estimate for what that money would be so that we would not have to come in for supplementals or at least not have to come in for all of the money in supplementals. But as long as the Congress does not want to schedule that money on a prospective basis then we only have two alternatives when the expenses are incurred: either we simply take them out of our services' readiness accounts, which is what has been happening, or we come in for a supplemental appropriations. I do not like that way of doing business, Senator Byrd. I do not see any alternative to it at this point.

Senator BYRD. The criteria for emergency designation, according to the OMB, means that the supplemental funds requested are necessary, sudden, urgent, unforeseen, and not permanent. I would question the applicability of these criteria as they apply to the supplemental request now before the Senate.

How do we avoid being constantly presented with emergency supplemental requests to finance foreign adventurism?

Secretary PERRY. I have some problems, Senator Byrd, with calling them foreign adventurism.

Senator BYRD. My reason for that, Mr. Secretary, is these are not activities that have been approved by the Congress. Congress has not voted on them. It did vote on Iraq. It did vote on Somalia, finally. There was not much of an inclination to do that until I pressed for a vote, but these activities initially are undertaken under the auspices of the United Nations. That is why I used the term "adventurism".

But aside from that, are we going to be continually presented with emergency supplemental requests to finance foreign military actions under the auspices of the United Nations?

Secretary PERRY. We only have, as I see it, Senator Byrd, two alternatives to that. One of them is to not participate in any of the peace enforcement operations around the world, that is, simply let the United Nations handle them without our involvement or supporting the funding, and the other is to do them ourselves, the ones

which we think are important to our national interests and that would cost even more.

The advantage of doing them with the United Nations is that the funds and the troops and the resources are shared among many nations. So, to the extent we believe these operations are in our national interest, then this is a more efficient and more economical way of doing them than if we were to do them all ourselves.

Senator BYRD. My time has expired, but let me offer this suggestion. In the first place, we are being asked for \$300 million, which is a double whammy. We appropriated \$1.2 billion for activities that we have engaged in and to reimburse the Department of Defense for monies that have been expended. Now we come along and the Department of Defense wants \$300 million in funding to pay U.N. assessments. We do not know what those assessments are. These are prospective. We do not know that we would agree with those assessments.

I am very insistent, and will continue to be, that the Congress maintain control over these monies. I am not in favor of offering, *carte blanche*, a fund from which the United Nations can assess the United States. I think that the Congress ought to maintain control over this and exercise its judgment as to whether or not it will pay for those assessments.

My suggestion would be that if we are going, Mr. Chairman, to put money into a fund such as this, we appropriate it subject to future appropriations by the Congress. We are going to put it into a fund, but before it can be withdrawn by the United Nations for any assessment, a request has to come back before the Congress and let the Congress make a judgment as to whether Congress supports that request. Now, if we can do it on that kind of basis, I might be willing to give it my support.

But in my book, Congress has control of the purse, always has had, always should have, and I do not think that we can put money into a fund, let it be of a freewheeling operation or nature, and let it be subject to the judgments of the U.N. because we have to be guided by our own Constitution, not by the U.N. charter in this respect, with respect to the control of the purse which lies right here in the people's branch.

Mr. Chairman, I thank you for giving me this extra time. I hope we will consider having a second aspect of control over that money before it goes out. It is all right if we want to appropriate some money and put it into a fund so we will not have to consider a supplemental or charge it against DOD for activities in which the U.N. wants to participate. We may not want to join. Let us have a future requirement of securing congressional support and authorization for the expenditure of that money.

I offer that as a suggestion and I hope that if we are going to pursue this, that we will maintain the control over it, Mr. Chairman, because here is where the control of the purse lies.

Chairman NUNN. Senator Byrd, you make an excellent point and we have chatted about this before. I am appreciative to you and the Appropriations Committee for going along with this \$1.2 supplemental this year because the services have already taken that out and it has been spent and it was unanticipated. Most of it was probably not foreseeable. But if they do not get the money this

year, then it comes right out of Operation and Maintenance. Dr. Perry had made a big pitch here about increasing the readiness account so that as we draw down our military forces, we maintain a high state of readiness and that is the bottom line.

I think your suggestion about not having some sort of funds just dangling out there as an invitation to join any U.N. peacekeeping or peacemaking effort without Congress speaking to it is an excellent point, and I will be glad to work with you and try to formulate some kind of answer to that very serious question. I think we will certainly need to closely consult with Secretary Perry and General Shali and the administration about their views on it. As you recall, we had a fund somewhat similar to that during the Persian Gulf war. Money was coming in from other sources, but the money was subject to the final disposition of the Congress. It may be that that is a model that we could take a look at.

In any event, we are appreciative of you moving on that and I think it is important that we try to find an answer to this because we certainly would not put \$300 million out there to indicate that the administration could wander off into any part of the world without having the normal or better than the normal consultation process with the Congress.

Senator BYRD. And, Mr. Chairman, consultation would not be good enough. It has to be action by the Congress in my book before that money can be expended.

Chairman NUNN. "Consultation" is a broad word. I think it would have to go further than that. I agree with that. Senator Coats.

Senator COATS. Thank you, Mr. Chairman.

Dr. Perry and General Shali, welcome.

I would like to pursue two items. The first is the quality of life of our troops and their morale, which both of you have addressed today and on previous occasions. It seems to me the strategy here is to constitute a leaner, meaner force, smaller in number, but stronger in capability, and that budget realities dictate that. This is the essence of the new strategy.

You clearly outline a smaller force for the future and we are talking about increasing the optempo, or at least maintaining it at an equal level. At the same time you are talking about maintaining our commitments abroad. General Shali, you said we must keep sufficient forces stationed overseas where our interests dictate and that we also have to be prepared to execute operations other than traditional warfighting. However, when you look into the future, you cannot avoid the conclusion that our forces will be used more frequently for other types of missions and against other types of crises.

All that translates into potentially longer deployments, shorter turnaround times, and larger workloads. Last year when the personnel chiefs and others testified before us, they said that the effect on morale, the effect on families already was at the straining point, with substantially increased deployment time, particularly for the Navy and Marines. There was more workload imposed on fewer people for longer hours.

I hope that we consider that a 1.6 percent pay increase, or any pay increase, is not the only way to address a morale, welfare, and quality of life program. I realize that both of you know that it is

much broader than that, but it seems to me that we are running a potential risk here with a strategy that strains those smaller forces with a much greater workload. That is going to take more than just a 1.6 percent pay increase to successfully address and maintain the morale, support at home, and the quality of life that I think is necessary to attract the people that we want, to keep the people that we want, and to keep them in good morale and good fighting state of mind.

That is a statement. My question goes to the Bosnia situation. I am confused and maybe you can help me. Maybe this is not the appropriate time, but the news reports have indicated and have raised questions in our minds, leading to a lot of confusion around here today. The Associated Press reported that the Secretary General Boutros Boutros-Ghali has asked for NATO to give him the authority to call for punitive NATO bombing runs on Serbian positions. According to the Associated Press, it says that is a request that President Clinton has supported. The report out of a meeting in Houston in the Washington Post reports that speaking early yesterday in Houston, President Clinton said he would direct our representatives at NATO to support the Secretary General's request.

My question is, is that what the President has suggested, and is that what Secretary Boutros-Ghali has requested? If so, we are moving rapidly here toward a situation whereby we are going to be using U.S. aircraft potentially under U.N. command following the orders of the Secretary General of the United Nations. That is the basis for the confusion. These standards are all press reports, but I wonder if there is any light you could shed on them for us.

Secretary PERRY. I will make a quick comment and maybe General Shalikashvili would want to comment as well.

The first point is I cannot comment in detail on what the President said to the press or what the press is reporting. I would like to set that aside a little bit and say what I do know and what I can comment on.

A meeting of the NAC, the North Atlantic Council, is going to occur later this week, and the Americans will be represented at that meeting and will have a U.S. position which we hope will be the NAC position at the end of that meeting. I cannot describe to you at this time—it is not appropriate for me to describe at this time—what the U.S. going-in position to that meeting will be, but I can tell you that we have been consistent in our view that U.S. military operations in Bosnia or any other place we are talking about will be under U.S. command or under NATO command. The alternatives we are looking at there, the options we are considering there all involve being under a U.S. commander. General Shali, would you like to elaborate on that?

General SHALIKASHVILI. Let me just assure you that back in August, when the system was set up to respond to our request for air strikes should it come, the system was set up in such a way that the supreme allied commander, always an American officer, was in charge, at that time me, now General Joulwan, that the orders from him would go to Admiral Mike Boorda, a U.S. officer, and then on to the operational units. So, although both General Joulwan and Admiral Boorda have NATO hats as well, they are also U.S. officers and those crews remain under U.S. command.

Whatever the letter from the Secretary General to NATO might have been, it cannot change that fact. Those crews will be flying under NATO and U.S. command and control.

Senator COATS. But there are two questions here. One is command, should an order be given. The first question, the preliminary question, is who has the authority to issue the command, and the second then is, who is going to command the carrying out of that order? It seems to me that the reports this morning and the concerns here go to the first question and that is, have we acknowledged that the Secretary General of the U.N. is going to make the decision and agree that if he orders that decision, we will follow that regardless of who commands.

General SHALIKASHVILI. You mean a decision for the first air strike?

Senator COATS. Yes. To use air strikes or to use force to enforce either a movement toward a peace agreement or at least to achieve that one objective of reducing the amount of violence that is occurring in Sarajevo.

General SHALIKASHVILI. Again, because there are UNPROFOR forces on the ground that work for the United Nations, before you would conduct air strikes on the ground, it has to be closely coordinated with them. Certainly if they have troops somewhere where you would wish to conduct air strikes, that just cries out for that coordination. But the air strikes themselves can be ordered only by the chain of command that I just mentioned to you.

Senator COATS. Well, that is my understanding. It is just not reported that way.

General SHALIKASHVILI. It can be ordered only by that chain of command.

Senator COATS. I think that is something that needs to be clarified.

Chairman NUNN. Thank you, Senator Coats.

I agree with that. That was what I was going to raise on my second round of questions. The newspaper reports would be good to quote at this point because it follows right up on what Senator Coats was talking about. The Washington Post said this morning, "As described by a senior U.S. official, Boutros-Ghali has proposed that the United Nations—which now has the authority to ask NATO for air strikes—be authorized to activate those NATO strikes on its own." Quoting from this official in the Post, "What this would mean is that we would have a political structure that would allow the air strikes to take place quickly," the senior official said. "This would make it more automatic that if the U.N. approved it, it would occur automatically. It would be out of NATO's hands. It becomes a U.N. decision in effect."

Now, you are saying, from what I understand, that that is just dead wrong.

General SHALIKASHVILI. No U.N. commander can order NATO to do anything. It will be ordered by the NATO chain of command that I just described.

Chairman NUNN. But that is the situation now. What this article is talking about is what the Secretary General of the U.N. is requesting. He is requesting this authority.

General SHALIKASHVILI. No, sir. Again, the issue is that NATO had established a chain of command. That is not in question. NATO has also said that before air strikes can occur, the North Atlantic Council has to meet again and all the nations have to agree to it. This is what this coming North Atlantic Council meeting is all about, to see if the nations wish to go ahead with some program that would involve air strikes. If they were to choose to do so, then the only ones that can order the NATO aircraft to execute that is the NATO chain of command.

What the U.N. chain of command can do, and rightfully so because they have people on the ground, is to advise us that we should not do that because their people would be in danger because either they are located somewhere or some other reason.

Chairman NUNN. Well, I understand the need for coordination and I am glad you have clarified what you believe the Secretary General's request is. That obviously was not what this senior official quoted here believed the request was.

For instance, here are some questions. Would Admiral Boorda, or in this case if it goes through the NATO chain of command, General Joulwan, have a right to select the targets? Would Admiral Boorda or General Joulwan have a right to refuse targets set by the United Nations? Would Admiral Boorda have to seek any further approval in Washington at all? Would he have to come to the Joint Chiefs or the Secretary of Defense or to the President, or basically if this decision is affirmative on the Secretary General's request, would that authority already have been delegated out of the hands of Washington?

General SHALIKASHVILI. The target selection is a matter between the commander, Mike Boorda, who executes the strikes in coordination with those who are on the ground to make sure that the targets selected are not such that they would unduly endanger the people on the ground. Mike Boorda has every right to refuse any target that he thinks is unsafe to fly or for other reasons should not be executed.

As far as the decision to execute a target list is concerned and whether that still has to go somewhere after the NAC meeting would really depend on what they decide at the NAC meeting, and I just cannot speculate what that kind of arrangement would be.

Chairman NUNN. Well, this quote in the Washington Post that says, "that would make it more automatic, that if the U.N. approved it, it would occur automatically. It would be out of NATO's hands. It becomes a U.N. decision in effect." That quote is not right.

General SHALIKASHVILI. That quote is not right. The U.N. could ask for coordination, but the U.N. cannot order.

Chairman NUNN. Thank you. That clarifies it.

Senator Kempthorne, I believe we have a vote up there. We can do it whatever way you want to. You could go until you feel comfortable or we can recess and come back. We are going to come back anyway.

Senator KEMPTHORNE. All right. Mr. Chairman, I would be happy to go ahead.

Secretary Perry, in your news release concerning this budget, you reiterated the fact that President Clinton said he "draws the

line against further defense cuts." In the charts that you have presented to us, I would just like all of us to be sure that we all understand what is being said here, and so would you help me?

I see that this current budget that we are going to be considering, 1995, is actually a—well, it is a .9 percent reduction over the current budget. Fiscal year 1996 would be nearly a 6 percent reduction. The following year, 1997, would be nearly a 4 percent reduction. So, when the President says that he is going to draw the line against any further cuts of defense, he means after all of these other cuts are in place, does he not?

Secretary PERRY. He is referring to the agreement for a top line that was made early in fiscal year 1994, early in 1993, and that is the future years defense program that was posed to the Congress at that time. The debates since have been—numerous people have posed to cut below that top line budget. That top line budget, you are quite right, had reductions from the previous years embedded in it.

Senator KEMPTHORNE. So, there are still significant cuts in defense.

Secretary PERRY. There are 2 more years of reductions in defense spending in real terms. That is correct.

Senator KEMPTHORNE. So, those that may have been drawing a conclusion that there be no further cuts in defense by the President's budget need to realize there are significant cuts in his budget.

Secretary PERRY. That is correct.

Senator KEMPTHORNE. Mr. Secretary, if Congress were to reduce this current budget proposal before us, reduce it further, do you feel that the President should veto Congress' action?

Secretary PERRY. That question is too hypothetical for me to try to make a yes or no answer to. It would depend on a whole set of circumstances. I will certainly resist and resist strongly attempts both within Congress and the administration to make further cuts in this budget.

Senator KEMPTHORNE. General Shali, I appreciate it very much. You are right on target in your praise of the troops. The U.S. troops around the world and here at home are outstanding young men and women.

In January I went to Somalia and off the coast of Bosnia and to the Persian Gulf, where I met with a number of our troops, our marines and sailors and Air Force and Army personnel. One of the key questions that they continually asked is what about wages, and as we talk about retaining these outstanding people, is it true that we are falling behind in wages in comparison to their counterparts in the private sector? Is that something we ought to begin to focus on?

General SHALIKASHVILI. Yes, I believe we are and, yes, I believe we need to focus on it. I am most thankful for the pay raise that Congress gave us, but that is an issue that we need to watch continually and that is why in my remarks I made reference to it, that they are a Superbowl team but not receiving Superbowl wages. So, I am heartened that there is a pay raise included in the President's program. We just need to see which way inflation is going and whether that causes us to fall even further behind.

Senator KEMPTHORNE. Because as far as retaining the best fighting force in the world, there is a direct correlation, is there not, to the wages that we are paying them? It is immediate with many of these young people.

General SHALIKASHVILI. Certainly the wages, the quality of life we give them, I think those are readiness issues.

Senator KEMPTHORNE. Dr. Perry, also I understand that the President's budget proposes eliminating the impact aid that the Department of Defense pays to local school districts to educate the dependents of military personnel. How much money is saved by the proposal to eliminate impact aid, and is this proposal not passing a tax increase or an unfunded mandate onto local school districts?

Secretary PERRY. Senator Kempthorne, I will have to look into that in detail. I do not believe that is a part of the defense budget. I think that is a different part of the government. I believe that is in the Education Department.

Senator KEMPTHORNE. I would be interested, Dr. Perry, if you could then provide me your assessment of that if we should be cutting that impact aid to the schools.

Secretary PERRY. Yes. It is a matter we have interest in, of course, but it is not part of our budget.

Senator KEMPTHORNE. I appreciate that.

Dr. Perry, I understand the Department of Defense is conducting a comprehensive review of U.S. nuclear weapons policy, our capabilities, the infrastructure, et cetera. Will this review look at technologies for destroying plutonium, or will the U.S. continue to focus its efforts on burying its waste in the West?

Secretary PERRY. This review will include consideration of how to handle the fissionable material that was left over from weapons. This will be concentrated on plutonium and highly enriched uranium from weapon systems. It will not try to deal with the very complex problem of residual waste from nuclear reactors.

Senator KEMPTHORNE. Gentlemen, in light of the fact that I need to vote and there is no one here to object, we will recess. [Recess.]

Chairman NUNN. The committee will come to order. Senator Kempthorne, did you complete your round? Do you need to have a couple more minutes? I will be glad to yield.

Senator KEMPTHORNE. Mr. Chairman, thank you very much. What I would like to do is just ask for unanimous consent that a letter that I had written to you and to Senator Thurmond be made part of the record. As you may recall, it is a letter, based upon a briefing I had received in Naples, that addresses this whole issue of U.N. authority over air strikes in Bosnia. Nobody has refuted yet what is in that letter. Also it addresses the Somalia situation.

[The letter follows:]

U.S. SENATE,
Washington, DC, January 14, 1994.

Hon. SAM NUNN,
Chairman, Senate Armed Services Committee,
Washington, DC.

DEAR SAM: I have just returned from my visit to Europe, the Middle East and Somalia and I am in the process of preparing a full report to the committee. However, before I leave for Idaho I want to pass along some observations from my visit as they relate to critical concerns.

— During my meeting with Admiral Boorda in Naples, the Admiral made it clear that a United Nations ground commander is authorized to call for close air support (which could be U.S. aircraft) and that the only approval needed is from the Secretary General of the United Nations, Boutros Ghali. My concern is that Congress and the American public are not aware of this potential direct involvement of U.S. forces and would be surprised some morning to learn that the U.S. has dropped bombs in Bosnia—not done as a U.S. initiative—but as a member of NATO and authorized by the Secretary General of the U.N.

— During my visit to Rhein Main Air Base near Frankfurt, I gained a greater appreciation of the dangers involved in the Provide Promise humanitarian relief effort to Bosnia. My concern is whether Congress and the American public realize that in addition to the air drops, we have U.S. air crews landing in Bosnia, such as the airport at Sarajevo, delivering needed supplies. It is important to note that a U.S. airplane was, in fact, struck by artillery while on the ground in Sarajevo. Again, had there been U.S. casualties or deaths, would Congress and the American people be surprised and supportive? In both of these instances, I simply want to alert you and the other members of the Committee so that in the event either of these scenarios occurs, questions aren't asked the next day, and the term "mission creep" pops up again.

— In Mogadishu, I learned that the State Department has requested that the platoon of 50 Fleet Anti-Terrorism Security Team (FAST) Marines in Mogadishu remain to provide security for U.S. Embassy personnel after March 31. I'm concerned that the American people have been assured that all U.S. military forces will be withdrawn from Somalia by March 31. Are all U.S. military personnel going to be out of Somalia by March 31, or are we in fact going to be leaving a platoon of U.S. Marines? If that's the case, shouldn't that be made public as soon as the decision is made so that neither Congress nor the American public is surprised should there be further casualties of U.S. military personnel in Somalia after March 31. I believe the American people today, would feel misled unless they are informed differently.

Mr. Chairman, I look forward to providing the entire Armed Services Committee with a full report of my travels but I wanted to pass along these observations before I return to Idaho. I look forward to discussing my trip with the other members of the committee and thank you for authorizing this official travel.

Sincerely,

DIRK KEMPTHORNE,
U.S. Senator.

cc: Strom Thurmond.

Senator KEMPTHORNE. If I could just finish on that, Mr. Chairman, with one question of General Shali.

Chairman NUNN. Go ahead and finish. I know you were rushed at the end.

Senator KEMPTHORNE. Thank you very much for the courtesy.

General, we know that there is a request from the State Department for Marines to provide protection for a potential envoy that would remain in Somalia. There is a concern that 50 marines may not be sufficient. We know that we do not want to have an insufficient force. That gets us into trouble. It then begs the question do we need to leave more than 50, and what is the magic number before we finally reach a force that is contradictory to the whole concept that the U.S. is leaving Somalia? Does it then go back to the question of do we need to leave an envoy?

It seems to me the crux of it is, again a lesson learned, is to know when a mission is complete and how to exit. Are we having trouble with an exit?

General SHALIKASHVILI. We do not have any trouble with an exit of our troops from there. The specific issue that you address is an issue about which there is some misconception, and one of them is whether we are to leave 50 or any number of military personnel, whether they be marines or some others, to provide the security for the liaison mission there.

I have requested that General Hoar in his command in coordination with the liaison personnel in Mogadishu come back to me with a recommendation, how it is that we are to provide security, depending on what it is that that liaison mission is supposed to be doing because it varies very much as to what the activities are that we expect of that mission to be conducted. So, that is something that has to be done between the State folks and our folks, and until I get that answer back, right now what we have are just some numbers being floated around. I would be surprised if anyone could come up with a specific number without a detailed analysis of what it is we want to accomplish and the security situation we expect and how best to provide that. It could be that some of it or part of it can be provided through a contract or some other way.

Senator KEMPTHORNE. General, thank you very much, and Mr. Secretary, may I just say what a pleasure it is to address you with that title.

Secretary PERRY. Thank you very much, Senator Kempthorne.

Chairman NUNN. Thank you, Senator Kempthorne. Senator Smith.

Senator SMITH. Thank you, Mr. Chairman.

Mr. Secretary, let me give you my formal congratulations on your new position. I also would like to thank you for the comments that you made to me, a commitment really, regarding the comparability factors issue where you indicated you would be willing to work with me to look into that. As you know, that is a very important matter for all of the facilities, the public/private debate as to who should do the repair. We have had some problems there and I wanted you to know that I appreciate that.

I also would like to commend you for the fine job that you did over the weekend in Germany. You had to be sworn in and to go participate in a 2-day conference on NATO and lose an engine in an aircraft all in one weekend and then hitchhike and get a ride. That is all pretty significant. I do not know if you will have any more weekends quite that exciting, but you handled it all very well.

Secretary PERRY. Thank you, Senator Smith.

Senator SMITH. A couple of areas that I would like to go into. One on the issue of the Bottom-Up Review and I think you mentioned the possibility of the \$20 billion short in funding. That obviously would be a very serious matter for the defense budget if that were to happen. I guess the question I have on this is if it is short, whether it is \$20 billion or whatever the number is, are you prepared to make the request to the President for additional funding to make that up?

Secretary PERRY. Yes, I am, Senator Smith.

Senator SMITH. Thank you.

General Shali, I did not mean to ignore you. I wanted to welcome you as well. It is good to see you.

General SHALIKASHVILI. Thank you, Senator.

Senator SMITH. Another area—and perhaps, General, you might wish to respond to this as well—is that the budget really touted as increasing funding for O&M by about 5½ percent, but the majority of this money, as I understand it, is dedicated for paying for the mandated pay raise, settling some bills under defense business operations fund. Is this 5 percent figure accurate? It seems a bit mis-

leading to me, especially when you consider the \$20 billion looming shortfall. Let me ask it this way. Does this budget protect critical operations and maintenance programs and readiness? Either one.

Secretary PERRY. I will start off and maybe General Shalikashvili would want to add to that.

First of all, the 5 plus percent that I quoted there was the nominal dollars, and when you correct for inflation, we are talking more about a 2 percent real growth. It is a modest growth in the account. But as I pointed out in my briefing, it is an increase at a time when the force structure is decreasing, so on a per ship or per personnel basis, it is a pretty substantial increase.

Second, we have within that O&M budget been rather selective about where the increases go. So, in some areas which were the biggest problems to us like the depot maintenance, the increase is very substantial indeed.

General SHALIKASHVILI. Senator, if I just may add something. Other things that need to be kept in mind, as Secretary Perry established priorities for the services, he very clearly established readiness as the number one priority with clear guidance to the services that if they could not meet their readiness requirements, they were then free to violate other priorities that he might have set for them, but the readiness basket had to be filled. So, I think with that in there, I think the services have all the leeway that they need to ensure that they have readiness covered truly as a first priority, not only as words.

Senator SMITH. Moving to another area, in the presentation that you made, Mr. Secretary, you talked about the essential modernization program, sustaining it, and one of the elements that you call the key element of preserving the industrial base—you said that you would preserve key elements of the industrial base.

One of those areas which concerns me very much is the whole concept of missile defense. I understand and I support your decision to develop theater defenses. I think you addressed that very well in your budget, but it does underfund national missile defense. The rationale is that theater missiles pose an immediate threat to overseas troops and that long range missiles do not, in fact, threaten us right now and may not until after the turn of the century. But depending on where you look, some of the CIA estimates that some 25 nations at least will have ballistic missile capability by the turn of the century and how much capability they have may be subject to conjecture.

But my concern is that your budget eliminates any near term deployment option. If you look at the amount of money for both theater and national, it is in the vicinity of \$3.3 billion, \$3.4 billion, as I recall. That is less than two *Seawolf* submarines. When I start looking at the significance of the industrial base for preserving missile defense and the significance of two—it is controversial, and I know you support them, and I am not trying to put you on the spot on the submarine. But I really have a difficult time justifying how one could advocate a couple of submarines at about \$2 billion and a half a ticket and at the same time not fund or basically leave until the next century the national missile defense.

Before you respond—and I would like, if you could, both of you to respond—I want to just point out one thing for the record here

that really is disturbing. I have not verified it. My time is up here so I just want to make this point quickly. I have not verified this, but it was in FBIS, Foreign Broadcast Information System. It was a report allegedly from a Japanese reporter from alleged Russian documents which says flat out that North Korea has, number one, nuclear weapons and, number two, is developing what they would call the Nodong 2 which could have a range of 6,000 kilometers, which obviously begins to focus now on the west coast of the United States. Considering what is going on in North Korea—and I do not know if this is accurate, but I would certainly urge you to look into that if you are not familiar with it. I am going to try to look into it myself.

But when that kind of information is out there and to not be focused on national missile defense when there are items in the budget like two submarines, I just do not for the life of me understand that rationale. You have heard the debate on the submarines before, but I would appreciate it if you could respond on that point.

Secretary PERRY. Without making an invidious comparison between the submarines and the national missile defense, let me say that I associate with your concern on the national missile defense and that I point out that when we put in a 5-year budget, we are trying to guess what the world is going to be like 3, 4, 5 years from now, which is a very difficult task. It is entirely possible that within a year or two we will have intelligence information which leads us to believe that we should accelerate our efforts in national missile defense, including making a move toward a production and deployment of a system. I can assure you if that happens and if that is our assessment that that threat has become real and in the medium term, not in the distant term, then I am prepared to come back and change that budget request and request more funds in that area.

Senator SMITH. Do you support it now, national missile defense?

Secretary PERRY. I believe now the appropriate way of dealing with the threat as we now understand it is to not only maintain the technology program, but as we build and deploy the theater missile defense, do it in such a way that what we are doing there can be built on for national missile defense. There are many commonalities in the technical subsystems that would be used in both. So, that could give us a running start to a national missile defense system if 2 years from now we decided it was important to move forward with one.

Senator SMITH. Well, of course, this is a policy matter which I am sure we will be debating in the next few months. I try to link it to the budget here using the *Seawolf* as an example. It is probably somewhat unfair, but there are other items in there as well, but those two because of the significance of the dollars.

What I am concerned about is that it may be too late to catch up with the threat if stories like this are accurate and I do not know if they are, but we know that certainly the North Koreans are working hard at it. If they have a 6,000 kilometer range missile with a nuclear warhead, we do not have time to wait until 2004 or 2005 to begin. We have no defense against that missile.

Secretary PERRY. Yes, I agree with that, Senator Smith. To moderate that a bit, though, I would say that, first of all, if we really

believe and have persuasive evidence that there is an ICBM in North Korea or there will be an ICBM in a certain number of years, we will move much more quickly to a national missile defense system than has been suggested by that date. We have an underlying technology base that allows us to move quickly if we believe it is important to do that. This is not completely comparable, but we went from scratch on the F-117 aircraft to a first operational deployment in less than 5 years. So, we know how to do things quickly when we believe it is important to do that.

Second, though, I would say that I believe that while there is some uncertainty, as Director Woolsey has described to you, about whether they have zero, one, or two nuclear bombs right today, I think we have a very good intelligence on the status of their missile program, and I think we have data which allow us to get early warning, early lead time on when they will have an ICBM. I do not believe there is any real probability of a technical surprise in that area. I do not make the same statement about the nuclear weapons, but in the long range ballistic missiles, I do believe our technical coverage of what is going on is very good.

Senator SMITH. Thank you, Mr. Chairman. Thank you, Mr. Secretary.

Chairman NUNN. Thank you, Senator Smith.

Senator Levin, I believe you have not had your first round.

Senator LEVIN. Thank you, Mr. Chairman. I welcome you both.

First a question on Korea. We have read a great deal about the increased threatening military behavior on the part of North Korea. I am wondering if you can tell us whether you follow a large number of indicators—General, let me ask you this question—and if so, whether or not those indicators of their increased military activity do show an increased level of threat, and if so, to what extent.

General SHALIKASHVILI. Without going into specifics in this open hearing, Senator Levin, we do watch very carefully. What you see is kind of an up and down. Overall it has only been a modest increase.

Senator LEVIN. Now, we apparently are considering a number of steps relative to our forces in Korea, including the sending of Patriot missiles and possibly reconfiguring our forces and maybe there are some other steps that we are considering. Can you tell us what steps the South Koreans are taking relative to the increased threat?

General SHALIKASHVILI. Again, I do not want to go into too much detail in this hearing other than to tell you that General Luck assures me that they are taking all those steps necessary to ensure that their forces remain trained and ready and that they are pursuing the long range modernization initiatives in their program and that General Luck is staying very actively involved in that process to ensure that they mature to a capability that is necessary to protect the Republic of Korea.

Senator LEVIN. Without asking you whether or not there is an increased state of readiness on the part of South Korean forces, are we informed about that issue? Do they tell us whether or not there is an increased state of readiness?

General SHALIKASHVILI. Absolutely.

Senator LEVIN. And do they tell us whether or not there are redeployments going on of their forces?

General SHALIKASHVILI. Again, it would not occur without coordination with us. It has not in the past and I do not think it would occur now.

Senator LEVIN. If they were activating their reserves, we would be informed?

General SHALIKASHVILI. I believe that to be true.

Senator LEVIN. If they were moving their armor, we would know?

General SHALIKASHVILI. Again, I believe that to be true.

Senator LEVIN. Can you in a classified setting or manner let us know what they are doing, if anything, relative to the increased threat, not here in open session, but either—

General SHALIKASHVILI. If I may provide it to you—

Senator LEVIN. In a classified manner, either orally or writing the committee or however the Chairman might think it is appropriate.

General SHALIKASHVILI. I would be delighted.

[The information follows:]

[Deleted.]

Senator LEVIN. I would be interested. Mr. Chairman, the question is what are the South Koreans doing relative to the increased threat. I know what we are considering doing and what I am requesting is that somehow or other the General let us know what that is in a classified setting.

Chairman NUNN. That is an excellent question. Did you define what increased threat meant in your terminology?

Senator LEVIN. No, because there are many indicators which they are looking at, and he did not go into the indicators, but there are many—

Chairman NUNN. I did not know whether the General had said there was an increased threat, and if so, maybe we could clarify. A bench mark increase from when?

General SHALIKASHVILI. Again, because much of that data is classified, I would rather in this setting only say, Mr. Chairman, that we are watching the indicators very carefully. It is by and large a sort of up and down situation and the increases have been only moderate.

Chairman NUNN. Have the increases been very recent, or have they been over a long period of time?

General SHALIKASHVILI. They have not been very recent. There is nothing particular very recently that is out of the norm that they have maintained over the last few months.

Senator LEVIN. I thought we were considering sending Patriot missiles there because of an increased threat, for instance. Are we not considering sending—I mean, that is what the press reports.

General SHALIKASHVILI. We are considering sending Patriots to General Luck. He has requested them because he needs that defensive system to ensure that he has the protection for the airfields that would be used in the sending of reinforcements to Korea.

Senator LEVIN. Is that in response to some perception of an increased threat?

General SHALIKASHVILI. No. He has always had this requirement and he would rather not wait until tensions build up before you send those, but send them over there now so they are there so they do not eat badly needed strategic lift at the time the tensions might arise.

Senator LEVIN. My request then would still stand as to what, if anything, the South Koreans are doing at the moment in response to any perception of theirs of an increased threat.

General SHALIKASHVILI. Yes, sir. I will do that.

Senator LEVIN. Dr. Perry, I would ask you to do this on a budget issue. Can you get us for the record, unless you would know it which I think might be very difficult off the top of your mind, the ratio of our combat to our support forces, our tooth to tail ratio, in this budget as it would compare to other budgets? Say, go back a couple years and let us know. Is the ratio basically the same in 1995 as it has been in 1994 and 1993? If you could analyze that for the record, it would be helpful.

Secretary PERRY. I will be happy to do that. You appreciate, Senator Levin, that there are many ways of defining that. We will try to include not only the numbers, but our definition of what we mean by tooth to tail.

Senator LEVIN. That would be great, and if you would just use apples and apples in the 3 or 4 years that you go back, that would be fine.

Secretary PERRY. Yes.

[The information follows:]

The following table presents one view of the "tooth to tail" ratio for the Department. As you can see, the ratio varies little from year to year. This ratio was calculated using Defense Mission Categories (DMC), which aggregate defense resources found in the Future Years Defense Program (FYDP) into mission and support categories. The "tooth" is best measured by those resources devoted to the Major Forces, while the "tail" can be measured by the sum of the Defense-wide missions and Defense-wide support categories.

DDO "Tooth-to-Tail" Factors in the Fiscal Year 1995 President's Budget

	Fiscal years						
	1993	1994	1995	1996	1997	1998	1999
Total DOD TDA (Dollars in billions)	\$270	\$252	\$253	\$244	\$241	\$247	\$254
Percent "tooth"	53	52	51	51	51	53	53
Percent "tail"	47	48	49	49	49	47	47
Total percent	100	100	100	100	100	100	100
Tooth-to-Tail Ratio	1.13	1.06	1.06	1.05	1.06	1.11	1.11

Senator LEVIN. On the one question relative to a comprehensive test ban, Mr. Secretary, I think I have asked this question of you and my time is up. I think I previously asked you whether you support a comprehensive test ban as one way to address the non-proliferation issue.

Secretary PERRY. Yes, you have asked me that.

Senator LEVIN. And I believe you said that you do support that.

Secretary PERRY. Yes.

Senator LEVIN. Thank you. My time is up.

Chairman NUNN. Thank you, Senator Levin.

I believe, Senator Thurmond, it is your turn on the second round.

Senator THURMOND. Mr. Chairman, I just have four very brief questions I think can be answered very quickly.

Secretary PERRY, the Department of Energy's fiscal year 1995 budget request for nuclear weapons activities is 9 percent less than fiscal year 1994. Additionally, the Department is proposing a significant reorganization that I understand would severely limit if not eliminate its capability to produce nuclear weapons. Have you had a chance to study that and see how that will affect the Defense Department?

Secretary PERRY. I have not had a chance to study it in detail. We have had preliminary discussions with the Department of Energy which indicated they were moving in that direction. That is a matter of concern to us and we will have more detailed discussions with them now that they have put this budget in.

Senator THURMOND. I am glad to hear you say it is a matter of concern because that concerns a lot of us, and we will appreciate all that you can do to rectify that as much as you can.

Dr. Perry, the Army's Training and Doctrine Command is preparing a report which prepares the question whether the Army is able to deploy and sustain combat forces in an extended crisis. The Navy has studied the same issue and reached similar conclusions. For the first time in 10 years, less than 90 percent of Marine Corps equipment is ready to go to war.

How do you justify the administration's claim that readiness and sustainability is the number one priority of its defense planning guidance? Could you do something along that line to correct that situation?

Secretary PERRY. We believe that the shift of funds from other elements of the budget to the O&M account is directed to solving problems of that nature, but it will not solve them overnight.

Senator THURMOND. General Shali, the proposed force structure in the Bottom-Up Review for the Army indicates that the number of Active and Reserve component divisions will be reduced to 10 Active and 5 Reserve divisions. This is a reduction of 13 divisions from the 28 divisions that were in the Army force structure in 1990. Do you believe the Army force structure is adequate? Do you believe the Army can fight and win two major regional contingencies with this force structure?

General SHALIKASHVILI. Senator Thurmond, I stated earlier that I believe it is, but providing that we not only keep the readiness higher than we have in the past because when the force structure is so tight I think was my word, then you need to make sure that every unit can give you 100 percent, and second, that you in fact go ahead with the improvements, the qualitative improvements, to the forces that are contemplated and suggested in the Bottom-Up Review, that these divisions are full divisions, that they have three active brigades, that the precision munitions are bought, that the strategic lift is there to get them there in time because, as you so well know, if you can get a division there sooner, it makes up for bringing in more divisions later on. So, I think as long as you accept there are two big "if's" with it—one is the readiness and the other one is the enhancement to the force—then I believe you can do that.

Senator THURMOND. General Shali, we are asking a lot of our soldiers these days. We are asking them to be peacekeepers, peace-makers, humanitarians, and combat soldiers ready to fight. At the same time, pay freezes and retirement COLAs have been threatened and the forces have been drawn down at a rapid rate. They have seen their friends and leaders forced out of the service prior to completing their careers. The troops and their families are confused and uncertain.

What can you do to assure them that we care about them and their welfare?

General SHALIKASHVILI. Well, I think there are some tangible things that we can and must do, and one of them is to ensure that the quality of life is fully supported and funded. It is to ensure that they have the best possible training so whether you are an infantryman or an artillery man, you know in your heart that you are the best trained man and that we care about that and that we care about their families.

Second, however, you must bring the turbulence that we have had these last few years to an end. As Secretary Perry pointed out on one of his slides, fortunately, we are beginning to come to the end of this turbulent period because, as you can well appreciate, when you are down there in a unit and you do not know from day to day whether your unit is staying, going, what your personal future will be, it impacts on you, it impacts on your family.

So, it is resourcing the quality of life, resourcing their training and reducing the turbulence as soon as we can. We need to do all three.

Secretary PERRY. Senator Thurmond, could I add one additional point to General Shali's that he might have been too modest to mention?

Senator THURMOND. Yes.

Secretary PERRY. The effectiveness of our troops also depends to a very great extent on the leadership they have, and it is my opinion that we have the finest leadership in the Army, the Navy, the Marines, and the Air Force today than we have ever had in our history. That is one of the things that has sustained the morale of our forces through this very turbulent period.

Senator THURMOND. I want to thank you, gentlemen, for your presence and for your testimony.

Thank you, Mr. Chairman.

Chairman NUNN. Thank you, Senator Thurmond.

Let me follow up, General Shali, on just one question Senator Thurmond asked, and your answer is what interested me. You said that all units had to be 100 percent ready. That is what I understood you to say. I do not think we have ever had that policy, nor do I think there is enough money to ever be able to achieve that policy even with a smaller force.

It seems to me that you have to calibrate in airlift and sealift, and if a unit cannot possibly under any scenario be utilized for a period of 90 days, some of them 110 days, some of them 150 days, and that is plenty of time to get from 95 percent ready to 99 percent ready, then do we really want to burn money? I hear all this readiness business and I am for being ready too, but I do not want to burn money. I do not want every unit out there to think they

have to be 100 percent ready every single day when we know we cannot possibly get them to the theater, any theater, unless we go to war with Canada, in a period of time that would require that. So, I do not think we ought to get so carried away with readiness that we basically start spending money in a way that is not useful. So, I would hope—and I had asked Secretary Perry the other day to take a look at this, at whether you really are going to that kind of standard of readiness.

General SHALIKASHVILI. No. We are not going to that kind of standard of readiness. Units' readiness standards are adjusted depending upon their deployability criteria and when they will flow and so on.

Chairman NUNN. The key is whether they can be 100 percent ready by the time they go to battle. Right?

General SHALIKASHVILI. That is right, and that on a day-to-day basis there is sufficient readiness so it does not impact their training because through low readiness, for instance, if you do not have the personnel fill, if your equipment is not maintained properly on a day-to-day basis, you can affect their ability to train. So, there is a high level of readiness that you need to maintain day to day, and then at the time that they are going, they must be at 100 percent readiness.

Chairman NUNN. I think that is important for the units to understand and I think each unit has to have individual kind of goals about what their readiness goal is because you can demoralize a unit that believes it is supposed to be 100 percent ready when really the people in Washington do not think it needs to be but 90 percent ready and they know they are not 100 percent ready. You can get morale going down because people think they are not ready even though they themselves may not be early deploying units.

General SHALIKASHVILI. But the difference, Senator Nunn, is that a tank crew, regardless of whether they are in a lower category unit or higher category unit, has to be able to hit the target and they have to be able to feel good about themselves that they are the best tank gunners there are.

Chairman NUNN. Correct. I think we are in agreement, but I hope we could get some refinement perhaps later about that because airlift and sealift is all important in this equation.

Let me ask a couple of questions on North Korea. On January 5, 1994, Under Secretary of State Lynn Davis announced, "The North Koreans have now agreed to accept the required inspections to ensure continuity of safeguard at their seven declared nuclear sites." That is the quote.

It appeared in this article, I believe it is a Jeffrey Smith article, Washington Post, February 7. I am reading from the Early Bird here. Quoting from that article, "As spelled out by then assistant Secretary of State Robert Galucci, the conditions included a pledge by North Korea to maintain the 'continuity of IAEA safeguards,' a phrase of Washington's invention that immediately discomfited IAEA officials because it fell short of affirming North Korea's continuing compliance with the requirements of the nonproliferation treaty."

If you all are not comfortable with this question now, I will just give the question for the record. But what I really want to know

is, is there a difference between what we are seeking from North Korea—and this article indicates there is—and what the IAEA believes is necessary for North Korea to be in full compliance with its obligations under NPT?

General SHALIKASHVILI. If I may, it has always been our position that it is to be decided between North Korea and the IAEA what inspections are necessary for the IAEA to assure full compliance. The article in that sense is not factually correct.

Chairman NUNN. It goes on to say, "The Clinton administration's idea was that 'continuing safeguards' meant that the IAEA would conduct inspections thorough enough to verify no more plutonium was being produced, but would set aside its demand for access to the two suspect waste sites." That is not my understanding. That is not what I have heard from the administration. Is that your understanding?

General SHALIKASHVILI. That article is not factually correct, Senator, but I do not want to go much beyond that because discussions are still ongoing.

Chairman NUNN. Well, perhaps you could just tell us in your own words what our goal is vis-a-vis North Korea in terms of their overall obligations in the nuclear field. What is it we are seeking?

General SHALIKASHVILI. We are seeking for North Korea to get into full compliance with the IAEA requirements for full nuclear safeguards, that is, for the country to comply with the NPT and not to have a nuclear weapons program.

Chairman NUNN. I think somebody needs to make a statement on this and clarify it from State, DOD, whoever is appropriate, or the White House because these articles keep being written. These are good journalists and I know Jeffrey Smith is a very careful journalist. Somebody is telling them there is a distinction between what we are seeking and what IAEA is seeking. I have seen it over and over and over again. It is sowing a lot of confusion out there, and I do not think we need any confusion on this subject now.

Secretary PERRY. Senator Nunn, I might add to that that not only is what General Shalikashvili said correct, but we are seeking more than the IAEA in one respect. We are also seeking an agreement between North and South Korea for a non-nuclear peninsula, and that is an objective considerably beyond the objective the IAEA has.

Chairman NUNN. That also includes, as I understand it, a commitment by North Korea not to—we are seeking a commitment. They have signed up to it and that is not to reprocess any plutonium, period, whereas the NPT obligation, as I understand it, is not to process plutonium for weapons purposes.

Secretary PERRY. Yes. So, that article, it seems to me, gives exactly the wrong twist to it. We are seeking more than the IAEA, not less.

Chairman NUNN. I would suggest on something this important—I am not suggesting you correct every article around, but somebody needs to clarify this. You have a respected journalist in a leading newspaper, and I know Jeffrey Smith is a careful journalist. We do not have room for ambiguity in this North Korean situation, not in terms of our goals. We particularly do not have room to drive a wedge between the U.S. position and the position of the IAEA in

my view, but it quotes IAEA officials in there as saying there is a difference. The article goes on. I will give you a copy of it and I would ask, after reading it, would you give us an answer for the record either from Defense or from State?

Secretary PERRY. Yes, we will do that.

[The information follows:]

NORTH KOREA'S OBLIGATIONS UNDER THE NONPROLIFERATION TREATY

Our objectives in resolving the North Korea nuclear issue are two fold: returning to a non-nuclear Korean Peninsula, and building a strong nonproliferation regime. We must ensure that North Korea does not possess nuclear weapons and will not build them in the future. That means North Korea must agree to:

- Full membership in the Nonproliferation Treaty (NPT);
- Full cooperation with the International Atomic Energy Agency (IAEA) in implementing full-scope safeguards, including special inspections and other measures to resolve discrepancies in the Democratic People's Republic of Korea's (DPRK) declaration of its past nuclear activities; and
- Full implementation of the North-South Denuclearization Declaration, which bans reprocessing and enrichment facilities and provides for a bilateral inspection regime.

Full cooperation with the IAEA is a central goal of U.S. policy. Only the IAEA can determine what inspection procedures are necessary to implement and maintain full-scope safeguards, and only the IAEA is competent to render judgments about a member state's compliance with its safeguards obligations.

Our goals do go beyond what is required by the IAEA in that the U.S. seeks full implementation of the North-South Declaration. Under the NPT and the IAEA safeguards agreement, the North Koreans could produce plutonium under safeguards. While safeguards would provide assurance that the North Koreans are not diverting plutonium to make weapons, the DPRK could withdraw from the NPT and use such facilities or plutonium stocks to build them anyway. To guard against this possibility, North and South Korea signed the Denuclearization Declaration, which bans reprocess and enrichment facilities altogether. The United States believes that full implementation of this pledge is an essential element in a resolution of the North Korean nuclear issue.

Chairman NUNN. The final question. Dr. Perry, I was going to give you another shot at this. We talked about it last week, but we are going to be discussing the constitutional amendment to balance the budget when we return in February. I would like to get you and General Shalikashvili to address the effect of that kind of amendment, as you view it, on the defense budget and our overall security situation.

Secretary PERRY. We will be happy to testify on this subject in detail. I will just make a few preliminary comments right now.

We are for, as I suppose most American citizens are for, a balanced budget. The question in front of us though is whether the particular amendment that is being proposed is a reasonable way of achieving that objective. I fear the answer to that is no. If you look at the time period to achieve that objective and you try to imagine what the methods of achieving it would be, you can conclude that it would have a devastating effect on the ability to maintain an adequate defense structure.

I will just give you one simple example. While Defense's budget is, what, 17 percent or so of the Federal budget—I do not have the number exactly in my head, but something like 17 percent—17 is correct—it amounts to something like half of the discretionary funding in the budget. Therefore, if we are cutting hundreds of billions of dollars out of the budget and half of that is going to come from Defense between now and the end of the decade, that would absolutely devastate the program that we have presented to you

today. This program was determined, as you know, from the bottom up based on what we believe military needs were.

Chairman NUNN. Do you concur in that, General Shali, or have you looked at this issue? I do not want to push you into answering something you would rather not get into.

General SHALIKASHVILI. No. Clearly it is an issue that is very politically charged, and I guess wearing this uniform, I need to be careful.

But I fully align myself with Secretary Perry on this issue because of the devastating effect that I believe it would have on our ability to maintain any kind of a defense posture.

Chairman NUNN. Dr. Perry, your answer indicates—maybe I am reading into this something that is not there, but as I view it, it indicates your assumption that most of the savings, if this amendment passed, would come out of the discretionary part of the budget and that entitlements would not be addressed. Is that your assumption?

Secretary PERRY. That is my expectation and if that expectation, in fact, were achieved, then I said it would have a devastating impact on the defense budget.

Chairman NUNN. Let us see. Who has not been recognized here? I believe Senator Graham hasn't.

Senator GRAHAM. Thank you, Mr. Chairman. Mr. Chairman, I would like to ask a couple of questions in the area of acquisition policy.

Mr. Perry, in answer to the advance questions submitted by the committee, you addressed the issue of acquisition system reform and the strategic plan which is currently being worked on by the Under Secretary of Defense for Acquisition and Technology. I would like to ask some questions about that strategic plan.

First, what is the time frame for completion of the plan?

Secretary PERRY. There are two different components to the plan, Senator Graham. One component deals with the reforms we can make within our own authority without having legislative changes. That program is already well underway and I would expect to see significant changes by mid-year this year and I would expect to start realizing the benefits from that, including financial benefits, by the end of this calendar year and going on into next year. So, there may be some modest benefits, very modest benefits, effected in fiscal year 1995, more likely fiscal year 1996. We are not assuming financial returns from this program in fiscal year 1995 yet, but we expect substantial financial benefits in the out-years, fiscal year 1997, 1998, and 1999.

Now, the other part of the reforms requires legislative changes, and as you know, this committee is cosponsoring legislative changes in that area. I strongly support the activities of this committee and the Governmental Affairs Committee, and I am very pleased that these two committees have come together on this program. I strongly support their actions in that regard. I believe that, first of all, the legislative changes they are introducing are well enough crafted that there is a good probability that the Congress will approve them hopefully this spring and that, second, we will be able to take that legislation and put together new regulations and new processes and make even more benefits.

I testified earlier that I thought the savings from these two different reform methods were about half and half between legislative changes and just process changes we can make on our own, but we do count very strongly on that legislation going through.

Senator GRAHAM. So, in terms of those things that are under the Department's control, you think that we will begin to see some benefits possibly as early as the summer of 1994.

Secretary PERRY. We will see changes in the summer of 1994 which will start to reflect some financial benefits the end of this year and the beginning of the next year.

Senator GRAHAM. Then the second track will depend on how expeditiously we are able to enact the reform legislation.

Secretary PERRY. Yes. If you can put into law this reform legislation this spring, then the changes from the legislation will be running about 6 months behind the changes that we are introducing on our own.

Senator GRAHAM. The second question. You mentioned in your submitted answers that the most significant recommendation of the advisory panel on streamlining and codifying the defense acquisition laws are "its recommendations on establishing an integrated Title 10 chapter on the acquisition of commercial items, creation of a simplified acquisition threshold of \$100,000 and an overall simplification, consolidation, and streamlining of over 300 acquisition relating statutes."

Could you specifically elaborate on the issue of acquisition of commercial items and what are some examples of commercial items that you think might be fairly immediate priorities for incorporation into military purchases when the regulations or laws are changed?

Secretary PERRY. Yes. There are thousands of commercial mundane items, food items, clothing items. The example that people like to quote is the chocolate chip cookies, items like that where we just go out and buy them on the commercial market. The reason that we can buy them more cheaply that way, instead of specifying a unique Defense Department approach to them, is that we can use the advantages of the cost savings that come from larger production runs and also because we do not require the paperwork that goes with them, which is very costly.

Now, I have gone from a simpleminded example. A more serious one is the semiconductors, the integrated circuits, that we use in nearly all of our military equipment today. We buy billions of dollars worth of integrated circuits every year. We have looked at many examples of the relative cost of military specification circuits and commercial circuits that perform the same function, and the difference in cost is not 10 or 20 percent. It is factors of 5 or factors of 10 higher. So, we see the potential of making substantial savings there as well.

We are getting the same integrated circuit for our systems commercially or through the military specification. The difference in the cost comes because we are buying lots of paper and process along with it. I believe that the commercial industry has reached standards of quality and standards of reliability today that we do not require all that extra cost and extra paperwork to get the reliability and quality we need.

The savings then come in two different respects. First of all, some of the products we buy will be cheaper going commercial instead of going military specification. Second, because we do not have all of the paperwork to be filled out, not only will the cost to the contractor be less, which cost savings should be passed on to us, but we can reduce the number of government inspectors and government auditors required to oversee all of that paperwork. So, there is a double savings that come from that.

Some of those savings, by the way, are already incorporated in the budget which we put in to you because as I showed you in an earlier draft, there is a drawdown in defense civilian personnel, and some of that drawdown is going to come by taking government people out of the acquisition system.

Senator GRAHAM. Thank you, Mr. Chairman.

Chairman NUNN. Thank you, Senator Graham. Senator Robb.

Senator ROBB. Thank you, Mr. Chairman. Just a couple of brief questions, if I may.

I understand the number this year for the procurement, to follow up on some of the areas that Senator Graham was pursuing, particularly with respect to Trident missiles has gone down and it had been pretty successfully maintained by the Navy in the past. I was wondering if this is budget driven or if this has anything to do with the Bottom-Up Review or some other mission initiated change in terms of the request.

Secretary PERRY. Senator Robb, you caught me by surprise by that. I am not familiar with decrement that you are referring to, but I will be happy to look into that and supply you an answer on the record.

[The information follows:]

TRIDENT D-5 PROCUREMENT LEVELS

The Navy reduced the fiscal year 1995 buy of Trident II missiles by six, from 24 to 18, for affordability reasons. This reduction will not impact the timely outfitting of Trident submarines.

Senator ROBB. All right.

Let me just ask another question then about the Bottom-Up Review. That has been a fairly important part of the process that you and your immediate predecessor engaged in during the past year. How will that be maintained or updated? How much of an impact will the Bottom-Up Review have in terms of decisions that are made this year and in the out-years? Is that going to be a seminal document for the next few years, or is that a one-shot affair?

Secretary PERRY. Both are true, Senator Robb. It is both a seminal document, which we will draw on in the years to come, particularly relative to force structure considerations, and it is a living document. In the time we had to do the Bottom-Up Review, we had to set aside major detail studies which should have been a part of the Bottom-Up Review, and we are now proceeding on those studies. The results of them could be thought of annex 1, annex 2, annex 3.

For example, there is a nuclear posture study which is underway now. When that is done, that will be sort of annex 1 to the Bottom-Up Review. We have a detailed study underway now of how to best maintain the defense industrial base. Again, we considered that in

the Bottom-Up Review, but we did not have the time and we did not have the staff in place at that time to do a detailed investigation. That is now underway. That will be annex 2. The details of acquisition reform that are underway is sort of an annex 3, and the very detailed work which is being done under the Comptroller, John Hamre, for the financial reform will be annex 4. These will be all part of the living document as it grows, but some of the elements like the force structure will be seminal. They will be things that we build on.

Senator ROBB. Are those annexes going to be available, either published or made public, or will they be internal documents?

Secretary PERRY. No. Those will be made available. In fact, on some of them I have already invited this committee to schedule hearings at the halfway point so that you can get an early reading on where we are going in that direction.

Senator ROBB. You made reference to one with respect to nuclear policy. I have been particularly concerned—and I serve also on the Foreign Relations Committee and, as a matter of fact, spent part of the afternoon over there asking some questions of Strobe Talbott who is going to be the new deputy in that Department. I will not go into the foreign relations or State Department side so much, although there is a matter that very much disturbs me. I think you and I may have had a chance to talk about that last time around.

I wonder, however, from the strictly military side and the fact that we have 37,000 U.S. troops that are committed to the peninsula and for response in that area and what is happening or what appears to be happening based on certainly any of the public documents that are available in Pyongyang and their response to the NPT and IAEA that General Shalikashvili was referring to a couple of minutes ago, what kinds of changes are we likely to need in terms of developments that take place there? That may not be the best way to—

Secretary PERRY. No. I understand exactly what you are asking.

Senator ROBB [continuing]. Phrase the question. But in other words, how can we make certain that our own immediate U.S. interests, i.e., that we are able to fully support our own commitment of forces there and certainly with our ally in South Korea and the other allies in the region, Japan and hopefully more as time goes by, China, that we can provide whatever balance that we need to provide militarily? Could you discuss that to the extent you can in open session?

Secretary PERRY. I will say, first of all, that that question is one of the key questions being addressed in this nuclear posture review. It is not just what nuclear weapons you need for the future, but also how that relates to the conventional forces you have and how it relates to the combined nuclear conventional threats. The Korean peninsula is certainly exhibit A as we look at that question.

A second very closely related question is front and center in that nuclear posture review and it is called counterproliferation. What can we do to either reduce the probability or stretch out the time by which nations who are trying to get nuclear capability are able to achieve that? Then the other half of this counterproliferation is what should we be doing in our missile defense areas to defend our

troops and defend our country, if necessary, if we fail in that objective.

So, all of those are wrapped into this study, and the people who are doing that study are the people, both civilian and military leadership in the building, who are responsible for our nuclear forces.

Senator ROBB. My time has expired. Let me just make a statement that I think I have shared with you in private meetings and I have emphasized this in the other meeting.

By the amendment that I added to the State Department bill, in effect asking the President to consider preparations for the reintroduction of tactical nuclear weapons to South Korea in the event the North Korean position remains as intransigent as it has and that would make no additional progress, it was not designed to create more tension. Indeed, it was to accomplish, hopefully, just the opposite.

It seems to me that the North Koreans view this as essentially a no-risk strategy and that they are able to thwart the will of the international community simply by withdrawing and saying we will continue to renegotiate our return to status quo without putting anything new on the table, and that one of the ways that we can put something meaningful back into the dialogue is our return to the status quo or at least the thought that that is one of the options being considered.

It is my hope that we can address that through our negotiating posture. Again with Assistant Secretary Galucci and others, we are pursuing that. I just do not want to leave any mistaken impression there certainly from the military side. My concern is that we have the kind of stability that we are looking for and that we provide whatever tightening of the spinal column that is necessary and resolve for the United States so that we do not look like we are in a situation of appeasement.

Mr. Chairman, I apologize for digressing a little. I thank you.

Chairman NUNN. No problem.

I think that completes the first round, and I am told that the roads are icing over out there and very bad. I do not want to cut anyone off, but I did want to put people on notice that we want the Secretary to be able to depart at a reasonable hour here tonight. So, we will open it up with that overall observation, and I suspect that will have about as much meaning as my first request that we stay on the budget for the first round. [Laughter.]

Senator EXON.

Senator EXON. Mr. Chairman, thank you very much. It is tough out there. I moved my car and it is tough, but I cannot go home this early anyway because of the traffic. But I am not going to tie you up.

Two brief questions. Mr. Secretary, as you know, last year's Bottom-Up Review did not intend to address nuclear programs or strategic programs. I understand that there is underway at this particular time something called the Nuclear Posture Review.

Secretary PERRY. That is correct.

Senator EXON. Could you tell us when we might have some information from you on that? When will that review be completed?

Second, on a related question, does anything in the current budget that you explained to us today have information not known to the rest of us that was affected by the posture review to date?

Secretary PERRY. On the second question you asked, I believe that answer to that is no. That is, I believe the assumptions that we made in putting the budget together were not contradicted by the results of the study so far.

On the first question, we would be happy to come over and give a detailed briefing on the status of the nuclear posture review. I would suggest that both from our and your point of view, the appropriate time to do that would be sort of mid-term in the study, and that could be anytime next month. We would be prepared to do that and I think you would find it interesting at that stage.

Senator EXON. Well, thank you, Mr. Secretary. That comes under the jurisdiction of my subcommittee as something we are asking about. So, I will talk to you about that and maybe we can work something out on that.

The other matter that I have is also something that our subcommittee has dealt with. I have always supported MILSTAR. As you know, we successfully launched the first MILSTAR satellite yesterday. I assume you have taken a look at this program. Certainly the program now has shifted from primarily a strategic mission to a combat mission.

Have we done a review to see whether or not we might be able to reduce some of the costs in that particular program? As you know, it is a very expensive program and there are lots of complaints about it being so expensive and not needed.

I think getting current information into the hands of local commanders that General Shali is particularly important. Have we looked at the possibility that we could maybe have those satellites on command moved to a different orbit to cover different places in the world where we might be involved in ground combat?

Is there any way that we could reduce the out-year cost on this?

Secretary PERRY. Yes. Over the last several years, in fact, there have been some very extensive changes made in the MILSTAR relative to its original configuration.

Senator EXON. I am familiar with that. Can we do more?

Secretary PERRY. We looked at that, first of all, when we were reviewing the 1994 budget back in the March or April timeframe last year and concluded at that time that there was a possibility of making further changes beyond those that were already instituted by Secretary Cheney. Secretary Deutch and Secretary Paige have been both pursuing investigations of that along with the services. There is a potential for further savings and we would be happy to discuss that also with you in some little detail, but most of the savings have been squeezed out of it already. There is still some fine tuning I think that is possible in that regard.

Senator EXON. Thank you, Mr. Secretary, and thank you, General. You have been very patient. It has been a long afternoon. I have no further questions. Thank you, Mr. Chairman.

Chairman NUNN. Thank you, Senator Exon. Senator Lieberman.

Senator LIEBERMAN. Thank you, Mr. Chairman. Having demonstrated unusual self-control and obeying your first commandment, I am going to violate your second and just ask a few ques-

tions here about Bosnia. I do not want to ask policy questions because I understand it is under review in the administration now. So, I would like to ask some questions that might be called operational.

Though there is, as you have seen here today, some disagreement in Congress about the wisdom of air strikes, there seems to be, at least in the Senate, a broad base of support for lifting the arms embargo on the Bosnians. There was a bipartisan amendment that passed the Senate last week to that effect, 87 to 9. My question is, on this score, whether the Defense Department has given any consideration or has had any discussions with the Bosnians about what kind of arms they would want or need if the embargo was lifted and, second, how long would it take to effectively move any arms to them over there.

General SHALIKASHVILI. I am not aware of any discussions that have been carried on and I am not sure to what degree for the Defense Department it would be appropriate in light of the embargo that is in effect. So, unless you know something else, Secretary.

Secretary PERRY. No, I do not.

Senator LIEBERMAN. I thank you for that.

Let me go to the air strikes. General, I take it that some of the stories that we have read in the press are correct that the American Air Force units over in Europe have been training with NATO and are generally ready to participate in air strikes in Bosnia if asked to do so with all of the conditions that go along with it. Is that correct?

General SHALIKASHVILI. That is absolutely correct, Senator Lieberman. Ever since August when the alliance agreed to make air strikes available to help lift any possible strangulation of Sarajevo and the other safe areas, ever since then, United States and other NATO airplanes and the whole command/control system associated with that have been practicing, and together with the coordination that needs to be effected with the UNPROFOR folks on the ground and just talking to the local commander as late as this morning, he feels they are extraordinarily well trained.

Senator LIEBERMAN. Thank you.

I know you had an exchange with Senator McCain on this earlier, but last year, General McPeak before the committee—and I paraphrase and I do so with respect—I believe said that he thought that air strikes on artillery positions had a relatively high probability of success and a low probability of risk to American personnel.

Success here—I think it is important to say this in terms of your answer to Senator McCain earlier—was not on the question of what impact the air strikes would have on the Serbian decision as to whether to come to the peace table or not, but that we could be reasonably certain from an operational point of view that we could hit the artillery with minimal risk to our personnel. Would you say that is correct?

General SHALIKASHVILI. Let me characterize it this way, if I may, Senator Lieberman. Our success is dependent partly upon surprise. With all that we have seen here in the press in the last few days, the element of surprise is mostly lost. So, the Serbs or whoever else has artillery out there would have the ability to move them, hide

them, move them into school yards to make it impossible for us to hit them without encountering unacceptable collateral damage. So, the problem which was always difficult has been made more difficult by the fact that we have lost some of the element of surprise.

However, when you look at the task at hand which is not to prevent the shelling of Sarajevo, but help to reduce it, then I think there is some chance that you can accomplish that.

Senator LIEBERMAN. And with minimal risk to our personnel? How would you evaluate it?

General SHALIKASHVILI. That will depend very much on the kind of air defense systems that we have so far not yet encountered, but that might be brought into the area. Here I am talking particularly about any shoulder weapon air defense systems that might be brought into the area.

Senator LIEBERMAN. Understood.

Others have talked about the possibility, another policy option here, of taking the war to Serbia, to Belgrade, of striking roads and bridges and exclusively military targets within Serbia. How would you, again from an operational point of view, evaluate those in terms of probability of success and risk to American personnel?

General SHALIKASHVILI. I am not sure that would be helpful, Senator Lieberman, if in this setting I would speculate on that.

Senator LIEBERMAN. I understand completely.

That is it for me, Mr. Chairman. Thank you.

Incidentally, Mr. Secretary, you were congratulated earlier today for your effectiveness and stamina in Munich over the weekend. I want to congratulate you and General Shali for the same attributes this afternoon here before this committee. [Laughter.]

Chairman NUNN. Thank you, Senator Lieberman. Senator Glenn.

Senator GLENN. Thank you, Mr. Chairman.

First, I just want to make a statement, but I also want to find out if both of you are still wedded in your own minds to coming down to 1.4 million people in our Active force which we are on the glide slope to do right now. In fact, we are a little ahead, I believe.

I have begun to be a little suspicious that that is the right number. I would like to see us level off now. We are at a terrible OPTEMPO right now. The way of life in the current peacetime military means more time away from family. It even led General Mundy to put out the thing about the single marines. You remember that. All he was trying to do was address a problem, yet the whole wrath of everyone came down around him for that one. But he was trying to address a problem for his people out there, families under stress, and so on.

If we can deploy about a third of our Active forces and another third is preparing to rotate to relieve them, and the third are involved in headquarters and so on in this country, if that is still a valid sort of rule of thumb, then we could not field on a continual basis more than about 400,000 or 500,000 people if we are at 1.6 million. Are we still wed to the 1.4 in the out-years?

General SHALIKASHVILI. I believe we are. I think the number is 1.46. That is right.

There is one assumption in the Bottom-Up Review that I am not sure people have focused on, and that is that when you get engaged in two near simultaneous major regional contingencies, you cannot

at the same time be engaged in peacekeeping operations and humanitarian operations and whatnot. So, the premise is that when you begin to get engaged in the first MRC, you need to draw back those people who are engaged in these other operations so they can then be prepared to go, if need be, to the second MRC.

Senator GLENN. We may want to address this later on. I am one who thinks that probably we should level off now for a year or two until we see how things are going, and then maybe be willing to take the force on down in the out-years.

Before my time runs out, I know that you do not need more advice on what to do in Bosnia, but I will add my two cents worth to this anyway.

We have a lot of people who talk about mortars out there. So, let us hit the mortars, and that sounds good, except the whole thing is like an octopus and you are dealing with the tentacles out at the tip. It seems to me that you are not dealing with where the decisions are made. The mortars are only out there because of a string of command centers, communication centers, supply centers, oil dumps, bridges, means of supply, logistics, and decisionmakers who set this whole process in motion. I think if we are going to consider air strikes at all, instead of hitting conscripts out there who pulled the lanyard and ran and are not even there when you finally hit the place, I think we should be considering moving on up that chain where it gets a little closer to the decision makers and make sure what we are doing.

I am not concerned about how we get into Bosnia. We all see the tales and pictures of horror over there as to why we are getting in. But how will we get out? What are the criteria for getting out? It seems to me we have to set those criteria and set them very clearly before we go in. What are our goals and who declares when those goals are met? Us, the U.N., NATO? I do not know the answers to these questions, so I think that before we get in, we should be looking to answer those questions.

What are our objectives? Is it just to stop the slaughter? If we hit the Serbs and whoever by air and they decide to stop fighting, then is there any guarantee that the people we basically have been supporting will not start the fighting again trying to regain the territory they want to get back and have been forced out of? How do we accomplish this thing?

Wars are determined not by air power, as has been pointed out, but by who is in charge and in control on the ground, at the village street corner and so on. You cannot control that from the air. We can only try to influence who is going to be there on the ground.

So, what is our objective then, if it is not to just stop slaughter, to lock in territorial lines? Is it to make a permanent peace? If you look back on the history of that area, peace is something that has not been in that country, with the exception of when Tito enforced it, since the days of Caesar, some 2,000 years ago. Look at the history. So, I think when we say we are going to get peace in that area, we better set our goals very clearly.

I think we have the chance of being very much criticized. Air strikes may not be free of casualties. We know what happened in Somalia when we saw one body dragged through the street, and also had other Americans killed there. I submit that the strong

emotions that lead us—and I may be for such activity if it is properly defined and we have the objective defined and the means of getting there and defining how we are to get out, but that has to be clearly defined because the strong emotions we have right now, very proper strong emotions, when we see some of the terror over there may lead us to a decision to go to war, and war it is. When we start combat operations of whatever scale, air or otherwise, do not forget that public support can rapidly change to abhorrence and strong criticism when American body bags start coming back through Dover, Delaware.

I may be for whatever decisions are made, but I think we must consider our purpose in going in so that it is very clearly stated and so that the American public will feel that it justifies that kind of sacrifice. If it does not, we would make a big mistake by going in. We have to be very, very clear about this. We cannot just have a little show of force, a little bluff and think that they are going to cave in because they are scared. They are not scared. They have been fighting for a long time.

Thank you.

Chairman NUNN. Thank you, Senator Glenn. A lot of words of good advice there.

I think one thing we have to do is have clear goals. I see discussion after discussion that seem to confuse the goal of ending the siege of Sarajevo with the goal of ending the war. Those are two different goals, two different sets of players. The negotiating table has three different groups of players. Each one of those groups have been fighting each other at one time or the other. Each one of those groups has separate goals, and one of the main goals that the Muslims now have, an understandable goal, is access to the sea. That goal is not controlled by the Serbs, but by the Croatsians. I think we have to clearly define the goals.

Senator Glenn is absolutely correct in terms of the exit point, but that also starts with the definition of the goals.

Senator GLENN. How do we get out?

Chairman NUNN. And if we do not have the same goals as our allies, then we have to decide whether we are going to take unilateral action or not. If our allies are willing to take step A, that is, bombing a few artillery tubes or mortars, but not willing to even discuss what we do in the event there is retaliation against U.N. personnel, against humanitarian personnel in other words, if they are not willing to discuss step B and step C, escalating right on up the ladder to whatever we have to do, then we have to think very seriously about step A.

I also believe that the U.N. has issued so many edicts, one after another, that have been ignored, that it is very hard to say that warnings are going to make any difference anymore. We have a no-fly zone. We have planes up there all the time. To the best of my knowledge, we have never shot down a single plane, and there are violations by each side, constant violations. We have humanitarian relief and they basically have to stop at every checkpoint and pay tribute to those who are controlling the checkpoint. So, the U.N. is basically being leveraged every day by, in effect, bandits going through checkpoints.

We have undermined the credibility of the operation to a considerable degree. It seems to me, whatever degree of responsibility we bear in this, that before we plunge into what our allies are already militarily involved in and that we are already participating to some extent, we have got to shore up the credibility of what is already going on. We have to say to them you have been noble in purpose, but your people have become hostages. In effect, we have a lot of hostages over there: the humanitarian workers, the military people. They are under the guns of the various factions and are in harm's way. This is a very serious problem.

It seems to me that there are a lot of things that could be done within the existing mandate to establish credibility of the U.N. and NATO which I would certainly agree needs to be done. This has been a very bad precedent for the credibility of either the U.N. or NATO. I know those that say that this is not NATO. I have heard several say that this is a group of collective countries and NATO has done everything they have been asked to do, but the image is NATO, the perception is NATO.

I really think that it is time to ask the right tough questions, and those questions need to be asked not only of our allies, but of ourselves.

I believe that a lot of people who are expressing their views here today do not run out and express them every time there is a new TV report, but there has been some expressions on all sides that need to be carefully considered. I do not envy either of you your job in giving advice. But I hope we are not in the situation where the Department of Defense is being asked both for the goals and the answer as to how you implement those goals.

I believe that we are in a curious diplomatic situation, too. We do not subscribe to the allies' position in terms of what they are trying to negotiate. We are not involved in that in terms of the final settlement, and yet we do not have a position of our own. I do not sense that the United States has a war-ending goal.

I am not saying we ought to sign up to our allies' goal. I think some people legitimately criticize it as being unfair to the faction that has not been armed. I think we have had almost an immoral position, not to have the Muslims with any arms actually, pretending that the embargo is equal sanction against each party. It is not. It has worked very disproportionately against the Muslims. That situation is changing now. I read news account after news account that very seldom ever say that the Muslims now are gaining considerable ground against the Croatsians. The Muslims' goals have changed in terms of their own negotiating goals and escalated.

This situation has been so mangled and mishandled, that if we are going to get involved in a big way, then we ought to say to our allies, let us wipe the slate clean to the extent we can, and go back and start correcting some of the things that have been done wrong. It is a tangled situation over there now and it is complicated enough. Then you throw in all the mistakes that have been made, in my opinion starting with the embargo going right on through all the edicts that have been issued with no implementation of those edicts, and right now the situation is fraught with all sorts of peril.

Yet, doing nothing, basically sitting back and letting this situation continue, almost assures the continued erosion of credibility

not only of the U.N., but of NATO, which can pour over into other parts of the world.

But I think we cannot control our allies. We have to say what we think is best and be frank with our allies. We cannot afford to get tugged into a situation that is untenable and has been completely fouled up just because we think we have to "do" something. There is a lot of pressure in that direction.

But you have heard enough today to take all of this advice. I would not say that it has all been consistent.

Senator EXON. Mr. Chairman, about 4 hours ago I asked you whether or not you had any comments of discussions along these lines that may or may not have taken place at your recent meeting at the Wehrkunde Conference. Do you care to elaborate? Can you say anything about that, or would you rather not get into it?

Secretary PERRY. I can certainly tell you, Senator Exon, what I said at our meeting in Wehrkunde relative to the situation in Bosnia and it came in two different sections.

First of all, I summarized for them what U.S. involvement in Bosnia was today, which is not widely known, and what the objectives of that involvement were. I am sure this committee is aware of that already, but we have a set of activities underway with the objective of reducing the violence. Certainly our participation in the no-fly zone has been a part of that, and it has succeeded in keeping tactical aircraft from being used as a vehicle for adding to the violence. We have provided a substantial amount of humanitarian aid. The airlift and the airdrop that we have done for humanitarian purposes has been equivalent in scope to the Berlin airlift. It has been a substantial operation. These two things together I believe have saved tens of thousands of lives in Bosnia.

We have been very modest participants in the peace negotiations and we have agreed to provide, if called on by ground forces of UNPROFOR, close air support. We have not yet been asked to provide that but we are prepared to provide it, we in this case being a NATO force under the command of Admiral Boorda.

I believe and I said at that meeting that the most crucial step that needs to be taken in Bosnia today is to get the peace negotiations on a vigorous, positive track. My own personal view is the United States should take a more vigorous role in trying to move in that direction. There are things that we can do. We cannot determine the outcome of those peace negotiations, but there are many actions we can take which would strengthen the resolve of all of the parties concerned to move more in that direction.

All of the discussion about air strikes, I believe it is totally incorrect to believe that by air strikes we could force an outcome in the peace negotiation or that we could determine the outcome of the war. Having said that, though, that does not suggest that air strikes may not have some useful role, but it has to be in the context of broader objectives.

The first test of any particular air strike that is proposed is does it lead us more firmly toward a peace negotiation, toward a settlement over there. If the answer to that is no, reject that proposal.

Second, does it lead to a probability of reduction of the violence while we are waiting to get a peace negotiation? It is very important to have a yes answer to that question.

Third, can we do it in such a way that the forces of our allies on the ground there, the 28,000 UNPROFOR forces down there, that does not unnecessarily endanger their lives?

So, there are all of those tests which say that any air strike considered has to be extremely selective and have very limited objectives. Anybody who is telling you that by the use of air force we can force a peace treaty or we can turn the course of the war is greatly overstating the consequences of air power in this situation. Having said that, I do believe that there are limited and selective applications of air strikes which we are considering and looking at as options which could have the combined objectives of driving us more quickly and firmly toward a peace negotiation, number one, and number two, reducing the violence, not increasing the violence in the meantime.

Senator EXON. Thank you, Mr. Secretary.

Chairman NUNN. Senator Levin, Senator Glenn?

Senator LEVIN. Thank you, Mr. Chairman.

I found at least some comfort in your last statement, Mr. Secretary. I was a little bit perplexed when I read from Wehrkunde that you had used the words "knee jerk" and I think that is where they were used in some report of your remarks. I do not think it is accurate to talk about any strong response to 2 years of Serbian strangulation of Sarajevo as knee jerk. I do not know the context so I cannot really debate you in terms of context. But I thought those words, if in fact they were used by you, almost in any context relative to the world body through NATO finally reacting to 2 years of pounding of a European capital should not be described as knee jerk.

I must say also that I agree with the way you just formulated it, which is anyone who thinks that air strikes are certain to bring an end to this war is mistaken. On the other hand, there is a reasonable argument to be made that it could help push the peace process faster and could possibly reduce the level of violence in the meantime. It could do both those things. That is the tough calculation which you and the President have to make. It has been my belief for years that air strikes would on balance help achieve those things. I may be wrong but I felt that for the last couple years.

A couple of pleas I would make with you in addition is that number one, no more warnings that we do not mean to keep. I think it weakens NATO and weakens the U.N. both for us to be threatening anything unless we intend to carry through with the threat.

Second, we put on the scale that must contain all the questions that Senator Glenn and Senator Nunn and others have put on there. What are our goals? Are they clear? How do we get out? What are our objectives? All those questions I think are absolutely correct questions that we put into that calculus of the question what happens if we do nothing. Could the war spread? Could there be a broader conflagration? What are the ramifications for NATO and for Europe if we continue on the course we are on?

Chairman NUNN. I agree with that question too, Senator Levin. I thought I hit it.

Senator LEVIN. You may have.

Chairman NUNN. But I certainly agree with it.

Senator LEVIN. By the way, I did not mean to suggest that you did not.

Anyway, I just plea that that be put into the calculus. That is basically it. So, I will leave it at that unless either of you want to comment further.

Secretary PERRY. I would like to comment just briefly on a few of those points. My comment about knee jerk reaction was that whatever action we took was not simply in response to that one event. It had to be calculated over the whole series of events that were going on in Sarajevo and it had to take a very careful consideration of the consequences of the actions we took. I want a sober, reflective judgment on any—

Senator LEVIN. That is reassuring.

Secretary PERRY. Not one that just reflects the passion of the moment.

Senator LEVIN. That is a context which reassures me.

Secretary PERRY. The other statement that I made there, which I neglected to mention when Senator Exon asked me, but your comment reminded me of, is I said flatly that the United States would not take any unilateral actions, not with 28,000 troops of allies on the ground there. We will not take a unilateral action.

Senator LEVIN. Well, my understanding, Mr. Secretary, is that under the process that we have in place, that the request must come from a commander on the ground to begin with. He must initiate that request. The only issue that is left for tomorrow with NAC is whether or not, when it comes to the Sarajevo issue, we will respond directly to that request from a commander through the U.N. deputy without further NAC consideration. That is my understanding, that it has to emanate from the U.N. on the ground. So, they are the ones who would weigh the risk to the UNPROFOR troops. Is that not accurate?

Secretary PERRY. I would describe it somewhat differently, that certainly any close air support action which has already been agreed to, is in response to a request from the commander on the ground. If we were to decide on a specific action relative to the artillery that would be bombarding Sarajevo, though, that could be done presumably, if the NAC gave you the authority, on the initiative of Admiral Boorda in the context of agreements with the UNPROFOR forces on the ground.

Senator LEVIN. So, UNPROFOR would have to agree to that in any event.

Secretary PERRY. They would have to agree to the plan, not on a—

Senator LEVIN. I understand, but to the plan. So, they would have calculated the risk to their own forces.

Secretary PERRY. Absolutely.

Senator LEVIN. I think you made it clear today that NATO is the commander of any air strike.

General SHALIKASHVILI. That is correct.

Secretary PERRY. Any options we are contemplating or considering would be under the command of NATO forces.

Senator LEVIN. I just had one additional question and this has to do with the major regional contingencies issue which you have gotten into in terms of the Bottom-Up Review and the 1.4 million

and the assumption that two major regional contingencies should be able to be handled nearly simultaneously. Are these major regional contingencies that you are talking about like the Gulf war size? Is that about how you are sizing a major regional contingency?

Secretary PERRY. That is correct.

Senator LEVIN. Do we know of any situation—since World War II, have there been two major regional contingencies occurring nearly simultaneously?

Secretary PERRY. Let me be very clear in my judgment of that and General Shalikashvili has already testified on this point, but he may want to add to what I say.

Senator LEVIN. Well, if you have already covered it, I do not want to duplicate.

Secretary PERRY. We do not anticipate fighting two major regional contingencies.

Senator LEVIN. No. My question is have there been any since World War II.

Secretary PERRY. No. We believe that if we have to fight one, that what we want to avoid is giving any other potential adversary the belief that we are too weak to protect our interests if he were to see that as a target of opportunity. So, it is a deterrence of the second one that is the issue, not the fact that we would fight it.

General SHALIKASHVILI. We believe that it has not occurred since World War II largely because we have had the capability to deal with it and we would like to maintain that.

Chairman NUNN. Good point. This is a good place to close unless there is objection. Without objection—

Secretary PERRY. No objection from this side of the table, sir. [Laughter.]

Chairman NUNN. Senator Thurmond, I do not want to cut you off.

Senator THURMOND. I just want to say I have no further comments or advice and suggest we adjourn. [Laughter.]

Chairman NUNN. Without objection. Thank you.

[Questions for the record with answers supplied follow:]

QUESTION SUBMITTED BY SENATOR EDWARD M. KENNEDY

SH-60B AIRCRAFT

Senator KENNEDY. Mr. Secretary, the Navy long-range budget last year showed a need for 21 more SH-60B aircraft. The budget, however, eliminates all Naval Hawk production, despite the fact the Navy asked for production in the fiscal year 1995 budget request. Is the requirement for 21 more SH-60B aircraft still valid? How do you plan to meet that requirement? Why did OSD deny the Navy's request for 7 SH-60Bs in fiscal year 1995? How will elimination of Naval Hawk production affect the industrial base for these helicopters?

Secretary PERRY. The requirement for SH-60B helicopters is determined by numerous factors such as the number of surface combatant ships that will be in the fleet, the number of those ships that can accommodate helicopters, the number of helicopters that will be deployed per ship, anticipated helicopter attrition rates, planned training rates, pipeline rates, the number of SH-60Fs that will be converted to SH-60Rs and the timing of the initiation of the next generation shipboard helicopter development program. Although there is still uncertainty about some of these factors our best current estimates of these factors combined with overall affordability constraints forced cancellation of the final aircraft from the planned buy.

Navy needs for SH-60B and SH-60R helicopters can be met without procuring additional aircraft after fiscal year 1994 by more aggressive management of existing

assets in the maintenance "pipeline" and the number assigned to training squadrons and by fine-tuning the number of SH-60Fs that will be remanufactured to a SH-60R configuration.

Today's budget realities force tough choices; with a less than optimal, but still effective, "work around" available, cancellation of these SH-60Bs is a big-dollar item that will cause the least impact on readiness.

This cancellation will not materially affect the helicopter industrial base. While some may take issue with that claim, POM-94's cancellation of all H-60 variant procurements by fiscal year 1997 was far more serious. The reason this SH-60B Seahawk cancellation looms so large now is that these aircraft represent some of the final new construction H-60s under contract to the Department. The Navy still plans to begin its SH-60R remanufacturing effort in fiscal year 1997 which, in concert with the RAH-66 Comanche program, should allow maintaining the helicopter industrial capability.

QUESTIONS SUBMITTED BY SENATOR JOHN W. WARNER

NEED FOR CARRIER

Senator WARNER. General Shalikashvili, last week before this committee, Dr. Perry expressed his strong commitment for the construction of CVN-76, the next nuclear carrier. Full funding for the carrier is included in the President's budget request you are presenting here this afternoon. Would you give this committee your views on the military requirement for CVN-76?

General SHALIKASHVILI. First of all, let me explain that our 12 carrier force provides the ability to stay forward engaged in Europe, the Pacific, and Southwest Asia. Further, this forward engagement allows us the ability to respond rapidly to a crisis of any kind. This rapid response ability can help prevent a crisis from developing into a conflict, but should the conflict start, our 12 carrier force allows us the ability to deploy superior air power until additional forces arrive. In Desert Storm our 12 carrier force provided the flexibility to have six carriers and their considerable fire power available to ensure the decisive force was present to end the conflict with few American casualties. Our transition to an 11 Active and 1 Reserve carrier force will allow us to provide adequate forward presence and the ability to manage carrier absence of various theaters.

Given the military requirement for a 12 carrier force, the issue becomes aircraft carrier modernization needs to sustain the force. The recently completed Bottom-Up Review concluded the best alternative is to proceed with construction of CVN-76 beginning in fiscal year 1995. This decision preserves some flexibility on the ultimate size of the carrier force, protects the carrier industrial base which is a major concern, avoids the cost increase associated with delaying CVN-76's construction, and avoids a major carrier procurement "bow wave" beyond 2000.

PEACEKEEPING OPERATIONS

Senator WARNER. General Shalikashvili, the latest version of PDD-13 indicates that the Department of Defense will have to pay for United Nations peacekeeping operations under Chapter V if U.S. combat troops are involved, and all United Nations assessments for Chapter VII regardless of whether U.S. troops are involved or not. Isn't this potentially a rather heavy financial load for the Department of Defense to bear? Do you believe DOD should have to pay for all of this?

General SHALIKASHVILI. Questions regarding the potential impact on DOD's budget of funding U.N. peace operations is a matter best addressed by the Office of the Secretary of Defense.

OPTIONS IN BOSNIA

Senator WARNER. General Shalikashvili, we are all shocked by the recent shelling of civilians in Sarajevo. It appears that there are not a lot of good options for us to follow in this tragic situation. Would you just describe for us what the military options are and describe briefly the advantages and disadvantages of each?

General SHALIKASHVILI. Military options in Bosnia are a function of the political direction we have selected consistent with our national interests. Our goals are to stop the fighting, aid the humanitarian situation, and help promote a negotiated settlement leading to regional stability, at this time, we have committed U.S. military support for U.N. humanitarian operations with UNPROFOR and UNHCR in the former Yugoslavia. The United States also has provided air support through the NATO alliance for U.N. mandates in Bosnia-Herzegovina. Specific operations will continue to include support for the No Fly Zone over Bosnia, Close Air Support for

UNPROFOR, the air strike threat around Sarajevo, UNPROFOR presence, humanitarian aid (airdrops, airlift, convoys, equipment), and sanctions. These options will continue dependent on the changing nature of the conflict. In promoting regional stability, we are prepared to help implement a viable, enforceable negotiated peace settlement acceptable to all warring parties as part of a NATO operation. Scope of U.S. military commitment will depend on the exact nature of the agreement the warring parties sign on to.

DECLINE IN PROCUREMENT

Senator WARNER. Mr. Secretary, the dollars identified for procurement in this budget are really quite low. I note that we are not buying any tanks and only 127 aircraft, of which most are helicopters and training aircraft. It appears that we are embarking on a policy of "living off the shelf" and eventually we will have to invest more heavily in the procurement accounts or risk obsolescence and old, aging equipment. Is there a long range plan to continue the modernization of our forces?

Secretary PERRY. Yes, DOD's long-range plans will modernize our forces, consistent with our policy of arming our forces with technologically superior equipment. Although the fiscal year 1995 budget does represent a low point in dollars allocated to procurement of defense systems, the Future Years Defense Program (FYDP) projects procurement spending to rebound to some extent in fiscal years 1996-1999, though not to Cold War levels. This pattern reflects several circumstances. First, the end of the Cold War has greatly reduced the need to field new systems in response to the threat posed by the former Soviet Union. We will keep existing equipment longer and emphasize modifications and upgrades relative to procurement of new systems. Second, force structure reductions, combined with the large quantities of modern equipment purchased in recent years, also allow DOD to keep procurement accounts relatively low in fiscal year 1995. Finally, a number of major acquisition programs, particularly new aircraft systems, are currently in development and not yet ready for procurement. For example, the F-22 fighter, the F/A-18E/F strike fighter, and the Comanche helicopter are all in various stages of development and not scheduled for procurement until future years. As those programs enter the production phase, DOD procurement spending will increase as RDT&E funding decreases.

The pattern of defense spending also reflects the transition to a post-Cold War defense establishment. During this transition, we expect to reduce infrastructure costs significantly over the FYDP period and beyond, as we reap the full benefits of the Base Closure and Realignment (BRAC) process and other initiatives. Those actions will free funds for procurement in future years within the constrained DOD budget topline.

The Bottom Up Review included a thorough examination of long-run investment projections for several major systems, including tactical aircraft, ballistic missile defenses, and nuclear submarines and aircraft carriers. In addition, all Defense Acquisition Board milestone reviews look beyond the FYDP. The Department continues to examine long-range procurement projections as we prepare the fiscal years 1996-2001 program, to ensure that we are meeting future modernization needs without creating an unsustainable procurement "bow wave."

QUESTIONS SUBMITTED BY SENATOR JOHN MCCAIN

READINESS FUNDING INCREASE

Senator MCCAIN. Briefing materials disseminated by DOD highlight a priority on readiness in this budget. However, the details available at this time do not seem to support this contention. For example, an O&M funding increase of \$5 billion over last year's levels is cited as an example of the high priority given to readiness. However, another chart shows the breakdown of this increase to include \$300 million in peacekeeping assessments, \$100 million in energy efficiency funding, \$3.3 billion in adjustments for a civilian pay raise and inflation costs, and a \$500 million category called "Other." This leaves only \$1.9 billion in readiness-related funding increases, for Army readiness initiatives and U.S.S. Eisenhower overhaul. With only 20 percent of this funding increase available for readiness-related programs, where is the priority on readiness shown?

Secretary PERRY. The emphasis on readiness is apparent by a number of measures. While the Department's budget continues to drop and force levels are further decreased, funding in the O&M account reflects real growth of about 2.0 percent. Much of this increased funding is for direct readiness programs to include restoration of Army ground OPTEMPO to 800 miles, to enhance Army prepositioned assets,

and to provide for additional depot maintenance for all the services. The real growth also provides additional funding for Army base support which is an integral part of force operations. This increase recognizes that as the Army downsized, past funding reductions were too steep. Readiness is also emphasized by providing funding to maintain the OPTEMPO levels of the Navy and the Air Force at prior year readiness training rates.

Senator MCCAIN. In addition, the briefing materials claim that OPTEMPO remains at current levels with the funding in this budget. However, the detailed material indicates that in half of the categories, OPTEMPO actually declines from fiscal year 1993 levels. Again, where is the priority on readiness?

Secretary PERRY. The fiscal year 1993 rates reflect higher OPTEMPO rates due to contingency operations in Somalia, South West Asia, and Bosnia. The fiscal year 1994 and fiscal year 1995 estimates do not reflect increased levels of activity for such contingencies.

U.N. PEACEKEEPING

Senator MCCAIN. While I have not yet been fully briefed on this matter, the administration seems to be making significant progress in recasting its U.N. policy away from the "assertive multilateralism" that it stressed early on, possibly as a result of the unfortunate experience gained in Somalia and Haiti. Do you believe the administration's new policy would have prevented what occurred in Somalia? Would it have prevented the Haiti debacle?

Secretary PERRY. Our participation in the Somalia operation (UNOSOM II) highlighted the problems that can be encountered when there is an unclear and open-ended mandate. As a result of this experience, the administration is determined to ensure that the anticipated duration of any future operation be closely tied to clear objectives and realistic exit criteria. A second issue of concern in Somalia was the degree to which the operation focused on one party to the conflict. When such a situation develops, the forces sent to conduct peace operations are themselves drawn into the conflict and may be insufficiently structured and equipped for the expanded mission. Thus, one of the lessons we learned from Somalia is the desirability to maintain neutrality and impartiality in the conduct of peace operations.

Partly as a result of the lessons learned from our experience in Somalia, the administration developed a series of factors that should be considered before deciding to commit U.S. forces to a peace enforcement operation. These factors include: (1) U.S. participation advances American interests and the risks are acceptable; (2) funds, personnel, and other resources are available for U.S. participation; (3) U.S. participation is necessary for the success of the mission or to persuade other nations to participate; (4) the likely duration for U.S. participation can be identified and tied to clear objectives and realistic exit criteria; (5) there is domestic political and congressional support for U.S. participation, or such support can be marshaled; and, (6) the command and control arrangements governing the participation of American and foreign forces are acceptable to the United States. All decisions will be made based on the cumulative weight of all these factors, with no single factor being an absolute determinant.

Our experience in Haiti reinforced our conviction that before U.S. forces are deployed into a Chapter VI operation that a ceasefire should be in place, and the international community should have the consent of all parties to the conflict. The mission of the U.S. military contingent was to professionalize the Haitian military. However, the rapidly deteriorating conditions in Port au Prince caused the administration to reexamine whether or not the mission could be accomplished as envisioned given the existing force structure, mandate, and rules of engagement. When it became clear that the Haitian military and police were renegeing on their commitment to provide security of our personnel, as evidenced by the demonstrations on the dock and the blocking of the berthing space for the U.S.S. *Harlan County* at the pier, we concluded that there was an unacceptable risk that our service members would become targets of government sanctioned aggression. While, in hind sight, it may have been preferable for us to make the decision not to continue with the operation at an earlier point in time, I stand by the decision not to send that particular force to Haiti given the situation on the ground.

Senator MCCAIN. The administration is proposing in the fiscal year 1995 budget to share responsibility for the financial burden of U.N. peacekeeping operations between State and DOD. DOD's budget request includes \$300 million the O&M Title for U.N. peacekeeping assessments for Chapter VII operations. I am told that State's share is estimated at \$900 million. Does this "Shared Responsibility" program mean that DOD will also have a greater role in deciding whether the U.S.

participates in these operations? Will it have a greater say in the Command and Control structures, objectives, etc? Or is DOD just the bill payer?

Secretary PERRY. No, DOD is not just the bill payer. Under the concept of shared responsibility, the agency that has the responsibility for funding an operation also has the interagency lead in its management. This means that when DOD funds an operation we will also set the interagency agenda for discussions and decisions. DOD already has a dominant role within the interagency for establishing command and control arrangements and military objectives. It should be noted that in all cases where U.S. forces may be deployed, I will be personally and actively involved in the decision. Furthermore, the Joint Chiefs of Staff have been, and will continue to be, intimately involved in any decisions relating to these issues.

Senator MCCAIN. Is \$300 million sufficient to pay DOD's share of the assessment for anticipated peacekeeping operations in fiscal year 1995? If not, will O&M funding for readiness be tapped once again for peacekeeping operations? Can the administration at least offer an assurance that the raid of DOD O&M funds will be limited to the identified \$300 million?

Secretary PERRY. The \$300 million figure was developed on the basis of likely peace operations that the United States would be involved in and for which the Department would have management and financial responsibility. These operations were projected to be the U.N. Iraq Kuwait Observation Mission (UNIKOM), U.N. Operation in Somalia II (UNISOM II) and U.N. Protection Force (UNPROFOR). We expect the costs for UNIKOM to remain approximately the same as for fiscal year 1994, while UNOSOM II will diminish and UNPROFOR will likely grow. I can assure you that I will not do anything that will undermine the capabilities of our Armed Forces to conduct their primary mission of fighting and winning this Nation's wars. The readiness of our Armed Forces remains of utmost importance to me.

OPTEMPO

Senator MCCAIN. I am very concerned that this budget request does not fully support the readiness of our aviators to perform their missions, as well as the safety aspects of military aviation.

The budget request for flying hours supports 14.5 hours/pilot/month for the Army, 19.7 hours/pilot/month for the Air Force, and 24 hours/pilot/month for the Navy. These are well below the flight hour numbers proposed by the services in recent years. As recently as 2 years ago, each service stated that flying hours could not decrease below fiscal year 1992 levels without sacrificing operational readiness and safety. Simulators and part-task trainers do improve pilot training, but they are not a substitute for the training gained by actually being airborne.

Can you show that pilots are remaining sufficiently proficient in their primary and secondary mission areas with the flight time they are currently getting? Will they be able to maintain their readiness at the proposed fiscal year 1995 funding level? Are mission requirements being scaled back in an effort to keep C-ratings high with reduced flight hour funding?

I have been advised that the services allocate more flight time to certain units which are either deployed or training for an imminent deployment to keep their readiness high, while other units fly substantially less than the minimum required for safety, proficiency, and readiness. Is this true? Isn't this an indication that our force levels are hollow, since they are not all ready or capable of performing their missions on any given day?

Secretary PERRY. The DOD budget continues to support fully the flying-hour programs requested by the services. There has been no substantial reduction in service flying-hour programs (hours/crew/month by major category) over the past 5 years. Service adjustments to their flying-hour programs have been primarily a result of changing aircraft mix and missions.

The fiscal year 1995 DOD budget provides flying hour resources sufficient to maintain service pilot proficiency and unit readiness. However, emergent operational contingencies and other unforeseen execution-year adjustments (e.g., higher than planned inflation, increased parts pricing, etc.) may require additional funding, not unlike the recent fiscal year 1994 supplemental for Bosnia, Somalia, Haiti, et al. Mission requirements have not been scaled back to keep C-ratings high. Missions will change, however, in response to changing threats.

Our current aviation force levels are not hollow. Units deployed or nearing deployment have historically been allocated greater flying time, particularly in the Navy and Marine Corps, and this policy remains in effect. The services have provided us with no indications that flying hours for non-deployed units have fallen below safe minimums.

COLAS AND MILITARY PAY RAISE

Senator MCCAIN. Secretary Perry, last year the President sent to Congress a budget which did not include cost of living adjustments for retired military and Federal civilians, which if enacted would break faith with these retirees by imposing upon them a triple sacrifice and a significantly disproportionate share of the deficit reduction burden. The Congress acted to rectify this situation for the current year 1995, and legislation is pending to make that correction permanent. Does your fiscal year 1995 budget reflect Congress' intention from last year's conference agreement to restore military retiree COLAs to be paid to military retirees at the same time as other Federal civilian retirees?

Secretary PERRY. The Department of Defense supports COLAs for military retired pay to maintain a commitment to provide a measure of income security for those who complete a qualifying military career. Last year, the President's budget included the full cost-of-living adjustment for retired military; however, COLA delays were enacted by Congress. Unfortunately, this created different treatment for military retirees compared to Federal civilian retirees. The current budget submission reflects the provisions of law set forth in last year's Budget Reconciliation Act.

Although the statutes that provide COLAs may be changed through the legislative process, I believe that major changes should be made with the fullest deliberation; I also believe that sacrifices by government employees should be shared on a reasonably fair basis. Toward that end, we urge against any COLA disparity between military and Federal civilian retirees. Generally, the Department support the principles that reductions should be equitable for Federal retirees; that delays are preferable to reductions; and that cuts should be restored as soon as it is feasible to do so.

Senator MCCAIN. Secretary Perry, your fiscal year 1995 budget only funds a 1.6 percent pay raise for military service members. This represents only slightly more than half the estimated increase in cost of living next year. Why has this administration put an increased burden on our military service members, especially our enlisted men and women, to fund the Federal locality pay, which service members themselves are not eligible for?

Secretary PERRY. The administration's budget guidance calls for a 1.6 percent total pay raise for all Federal employees including military service members. For Federal civilian employees, it has not as yet been determined how the 1.6 percent increase will be allocated between across-the-board and locality pay raises.

As economic growth is revitalized, it might be appropriate to review de-linking military pay from civilian pay to re-establish comparability. Federal civilians will eventually gain regional comparability with private sector wages through the mechanism of locality pay.

PATRIOTS TO SOUTH KOREA

Senator MCCAIN. Secretary Perry, last week, during your confirmation hearing, you indicated unequivocal support for the deployment of Patriot batteries to South Korea, as requested by General Luck, Commander of U.S. forces in Korea. General Shali, do you also support this deployment?

General SHALIKASHVILI. Yes, I fully support the CINCs request for deployment of Patriot at this time to defend our deployed forces. This weapons system is purely defensive in nature and should be decoupled from the ongoing negotiations with the DPRK on the nuclear issue.

Senator MCCAIN. Secretary Perry, last week, during your confirmation hearing, you indicated unequivocal support for the deployment of Patriot batteries to South Korea, as requested by General Luck, Commander of U.S. Forces in Korea.

Secretary Perry, has this request been approved by the administration? If so, when will deployments be completed? If not, why are our troops and our Commander in the field being denied protection, albeit limited, from potential Scud missile attacks?

Secretary PERRY. Yes, the Patriot batteries deployment has been approved by the administration and will arrive—by sea—in Korea to be operational by the end of April.

INDUSTRIAL BASE

Senator MCCAIN. A lot of study and reflection has occurred regarding requirements for a long-term defense industrial base. However, as yet, the Congress has not received DOD's input, as mandated by law. This poses a significant difficulty in properly assessing the oft-made claims that any program which appears vulnerable to budget reductions is somehow vital to the defense industrial base. When will we have DOD's report on defense industrial base requirements?

Secretary PERRY. The Clinton administration takes very seriously its commitment to maintaining an adequate technology and industrial base. The Department has a comprehensive process to assess technology and industrial base capabilities against projected national security requirements. This process was used to support the Bottom-Up Review. However, the process requires expansion to incorporate the administration's concerns about the linkage between economic security and national security.

The Department is awaiting the leadership of an Assistant Secretary for Economic Security to finalize the new assessment process. The President has made a nomination for this position. Once a new Assistant Secretary is on board, a comprehensive industrial base review will be conducted. At that time, we will also develop an integrated multiyear technology and industrial base plan to focus interagency actions on integrating the defense and commercial sectors of the industrial base, to foster dual use technologies that are critical to our economic and national security, and to identify steps required to sustain essential defense-unique research, design, production, and support capabilities. We will, of course, provide the results of both of these efforts to Congress.

Senator MCCAIN. Most of the emphasis in these industrial base discussions has been at the prime contractor level. However, some would contend that there are significantly more second- and third-tier vendors whose existence is just as critical to the industrial base. Are these issues being adequately addressed in DOD's ongoing review? Will recommendations concerning the secondary and tertiary contractors be included in DOD's report?

Secretary PERRY. We intend to identify and address industrial capabilities (skills, processes, facilities, and technologies) of importance to the Department wherever they are found. The industrial base assessment process used to support the Bottom-Up Review, and which is being expanded to better explore the linkages between national and economic security, identifies and evaluates key sub-tier, not just prime, contractor capabilities.

DEFENSE CONVERSION

Senator MCCAIN. The Congress has appropriated nearly \$4 billion for so-called defense conversion programs. These range from educational programs, to technology reinvestment, to grants for basic research. But we may have been overzealous in throwing money at the problem, since it seems that much of the funds set aside for these programs are bottled up in a bureaucratic mess at the Pentagon. How much funding is set aside in this year's defense budget for defense conversion activities? Are defense conversion programs, in your view, a higher priority than military readiness funding, full pay raises for military personnel, full COLAs for military retirees, and other programs which are not fully funded in this budget request? What is your personal assessment of the success or failure of defense conversion programs to date?

Secretary PERRY. Our total budget request for defense conversion is \$3.4 billion for fiscal year 1995. Much of this funding is for programs of the type you describe, which are designed to directly improve the readiness of the U.S. military by integrating defense with the Nation's commercial industrial and technology base. In other words, these programs support readiness, rather than compete against it for resources.

It is obviously too early to judge the success of our conversion programs, but we have seen remarkable interest in the wide range of programs that we have begun to implement. For example, the TRP Program generated more than 2,800 proposals. The TRP solicitations have been reviewed and four rounds of awards have been made, totalling \$5 million for 212 projects involving 1,631 organizations.

In dual-use technology programs outside of the TRP, we have been making investments across a broad range of technologies directly important to meeting defense needs and important for our overall economy. One example is multi-chip modules, a technology of great importance for future electronics, where the United States is the technical leader. We are also supporting manufacturing technology initiatives, advanced materials synthesis and processing, and multi-use high performance computing. We have projects under contract in all of these areas and are reviewing other proposals as part of our competitive solicitations.

These examples demonstrate that in the Defense industry and industrial base we are expeditiously implementing our responsibilities.

U.S.-CHINA DEFENSE CONVERSION PROGRAM

Senator MCCAIN. It has been reported that DOD recently approved a plan for a joint U.S.-China cooperative effort on defense conversion. What safeguards will be

used in that program to ensure that the Chinese do not obtain militarily sensitive technology? Does the administration intend to provide dual-use technology to the Chinese under the auspices of this effort?

Secretary PERRY. There will be no arms or military technology transferred. The U.S.-China defense conversion commission being planned will engage in an exchange of views with Chinese officials on the subject of converting defense production to civilian production. Such an exchange will result in better understanding of Chinese efforts at conversion, and this information will be available to U.S. businesses who may be interested in cooperating with Chinese enterprises on identified civil projects. In the process of that cooperation, any technology transfer—or visits by the Chinese—will be closely monitored by the USG. Evaluation of technology and end-user checks will continue as before. I will add that the commission will also look carefully at individual projects to ensure that cooperation will only be with Chinese enterprises with a clear mission not against global security interests.

COMPUTER EXPORT DECONTROL

Senator MCCAIN. Last year, the Clinton administration acted to effectively decontrol powerful computers from export licensing restrictions. This decision seems in direct contradiction to the administration's oft-stated commitment to a strong non-proliferation policy. How do you reconcile this action, especially since licensing for these computers used to require DOD concurrence?

Secretary PERRY. The Defense Department Recognizes the technological realities of today's world. We have tried to balance our security concerns with the need to maintain a strong competitive export industry. In the case of computers, all relevant DOD components, including the Joint Staff, were consulted in our deliberations and we reached a consensus on the new control thresholds. There is no question that even low-end personal computers can be used by the military and, thus, have strategic value. However, it makes no sense to attempt to control computers which are widely available from sources around the world and are used predominantly in commercial and other civil applications. We are committed to a strong nonproliferation policy and will continue to review export requests for computers above the decontrol level to proscribed countries. We have also identified other technologies and products that will remain subject to control, due to their direct role in the design and/or manufacture of weapons of mass destruction. In addition, we will continue to work with supplier countries to strengthen our multilateral efforts to monitor transfers of military, dual-use and other sensitive goods and technologies to countries and regions of concern. We believe that our controls will be more effective by focusing on a smaller set of the most sensitive high-end technology. In short, by controlling less, we can control more effectively.

SEAWOLF

Senator MCCAIN. Regarding the first two *Seawolf* submarines:

- What is the current cost estimate for each of the first two *Seawolf* submarines? How does this cost estimate compare to estimates provided last fall, as well as since the inception of the program?

- Are there any currently projected contract adjustments for these two submarines which may result in a requirement for additional appropriations? If so, please explain in detail the amounts involved and the reasons for potential cost increases in either submarine.

Regarding the third *Seawolf* submarine, for which approximately \$900 million has already been appropriated:

- What is the current status of appropriated funds for the third *Seawolf*? How much of this amount has been obligated and expended? Are any additional funds required to fund the programs intended to be funded by these appropriated amounts? If the third *Seawolf* submarine were canceled today, what would be the termination costs associated with the third *Seawolf* submarine?

- What is the current budgeted amount for completion of the third *Seawolf* submarine? When is the third *Seawolf* anticipated to be completed, assuming planned procurement is fully funded in a timely fashion? Are additional *Seawolf* submarines included in the FYDP or planning beyond the FYDP?

- If the third *Seawolf* is the final *Seawolf* submarine to be built in the program, what will be the total program cost for the three *Seawolf* submarines, including all procurement, R&D, and any other funds expended in support of the program?

Secretary PERRY. The current cost estimates for SSN-21 and SSN-22 are \$2,395 million and \$2,278 million respectively. These estimates are identical to those provided in the fiscal year 1993 Ship Cost Adjustment and by Secretary Dalton in his

letter, dated September 13, 1993, to the House and Senate Armed Services Committee Chairmen and ranking minority members.

In 1989, \$1,727 million was appropriated for the SSN-21 and in 1991, \$1,785 million was appropriated for the SSN-22. As GAO noted in its August 1993 report (GAO/C-NSIAD-93-171, Code 394485, OSD Case 9369), a majority of the cost growth in the *Seawolf* program is attributable to: (1) the early truncation of the program, including increased labor rates and the vendor material costs and allocation of management cost to the two remaining SSN-21 submarines; (2) the impact of the court imposed stop work order on the SSN-22 schedule; and (3) correcting the HY-100 welding problem.

There are no currently projected contract adjustments and to minimize any further increases, the *Seawolf* program manager and the shipbuilder have teamed to focus aggressively on the program's top challenges. They have initiated significant management efforts such as establishing an extensive program/construction management team to resolve quickly issues due to construction problems or delinquent material. The shipbuilder and the *Seawolf* program manager conduct monthly hot list meetings and quarterly production progress conferences. These meetings allow for continuous dialogue between the shipbuilder and *Seawolf* program manager, improving the responses to issues concerning design, construction, materials and cost.

Of the \$922 million that has been appropriated for the SSN-23 use, \$500 million has been obligated for SSN-23 material and \$298 million has been expended as of February 28, 1994. No additional funds are needed to complete components procured with funds provided for SSN-23.

If the contracts for SSN-23 components were terminated, the government's liability would be approximately \$20 to \$50 million. In addition, without SSN-23 the government would incur additional overhead costs on existing submarine construction contracts at Electric Boat.

In addition to the funds previously provided for the SSN-23, \$1,548 million is required in fiscal year 1996 to complete SSN-23. This amount is included in the Department of Defense Future Years Defense Program (FYDP) and the planned delivery is fiscal year 2002. The third *Seawolf* is to be bought in fiscal year 1996 to bridge a projected gap in submarine production prior to the start of the New Attack Submarine (NSSN). Currently there are no additional *Seawolf* submarines included in the FYDP or planning beyond the FYDP.

The total *Seawolf* Program (SSN-21 through SSN-23) cost will be \$12.9 billion. This amount is reflected in the fiscal year 1995 Congressional Data Sheets and the December 31, 1993 Selected Acquisition Report.

NEW ATTACK SUBMARINE

Senator MCCAIN. What are the current estimates of costs to completion for the NAS? What is the amount appropriated to date? How much is included in the FYDP, by year and by account, for this program? When will the New Attack Submarine procurement begin? How many submarines are planned in this program procurement?

Secretary PERRY. The projected total program costs for the New Attack Submarine (NSSN) assume procurement of SSN-23 in fiscal year 1996, NSSN lead ship authorization in fiscal year 1998, a 30 ship buy (standard quantity for life cycle cost estimation), a 30-year service life and 1993 market conditions. The program costs include all development, procurement, operations, maintenance and disposal and are as follows:

Development (TY)	Millions
Procurement (TY)	\$3,497
Operations & Maintenance (TY)	57,839
Program Total (TY)	69,107
	\$130,443

The appropriations to date, all RDT&E, are shown in the table below.

Fiscal year 1992	Millions
Fiscal year 1993	\$22.8
Fiscal year 1994	66.3
	\$93.3

The amounts (\$M TY) included in the FYDP for the NSSN Program are as follows.

	Fiscal years				
	1995	1996	1997	1998	1999
RDT&E	\$508	\$470	\$520	\$442	\$256
SCN		698	652	2,858	691
OPN			3	8	12
O&MN			2	5	9

Milestone I approval of a new attack submarine in the near future would support a plan to award a contract for construction of the second submarine of the class in fiscal year 2000. The total planned procurement of NSSNs will be that required to satisfy the submarine force level requirements.

QUESTIONS SUBMITTED BY SENATOR DIRK KEMPTHORNE

NAVAL FORCES IN SOMALIA

Senator KEMPTHORNE. Secretary Perry, is it your understanding that the Byrd amendment would prohibit you from maintaining naval forces off the coast of Somalia after March 31? Also, what impact will that decision have on our ability to evacuate U.S. marines and diplomatic personnel from Somalia after March 31?

Secretary PERRY. Barring requirements elsewhere in the Central Command Area of Operations (AOR), the Peleliu Amphibious Ready Group (ARC) with the embarked 11th Marine Expeditionary Unit (MEU) will remain in international waters in the vicinity of Somalia until the first week of May. It is clear that the Byrd amendment limits the expenditure of funds for operations of U.S. Armed Forces in Somalia beyond March 31. By its own terms, however, the Byrd amendment in no way affects the authority of the President, under the Constitution, to take those actions necessary to protect the lives of American citizens. Consequently, I do not believe the Byrd amendment will have any significant impact upon our ability to evacuate U.S. citizens.

BOTTOM-UP REVIEW

Senator KEMPTHORNE. Secretary Perry, in response to written questions for your confirmation hearing, you said the United States needed to fund certain force "enhancements" in order to fulfill the requirements outlined in the Bottom-Up Review. Can you tell me where those enhancements are funded in the fiscal year 1995 budget and when will these additional capabilities be deployed?

Secretary PERRY. The enhancements to which I referred in my previous response included the following:

- Substantial improvements in strategic mobility.
- Improvements in the strike capabilities of aircraft carriers.
- Increased lethality of Army firepower.
- Improvements in the ability of long-range bombers to deliver conventional smart munitions.

• Initiatives to improve the readiness and flexibility of Reserve component forces.

Taking each enhancement in turn, I will discuss what was envisioned in the Bottom-Up Review (BUR) and to what degree the enhancement is presently being funded.

Strategic Mobility. The BUR called for implementing the findings of the Mobility Requirements Study (MRS). Specifically, the BUR recommended replacing our aging C-141 transport fleet; placing an Army heavy brigade set of equipment afloat as well as creating additional brigade sets of heavy equipment in Southwest Asia and Korea; purchasing additional roll-on/roll-off (RORO) ships to increase the capacity of our surge sealift fleet; and improving the readiness and responsiveness of the Ready Reserve Fleet (RRF) as well as improving the "fort-to-port" flow of personnel, equipment, and supplies in the United States.

As you know, due to design and developmental problems, initial C-17 production has been limited to 40 of the originally planned 120 aircraft, and the contractor has been placed on probation. We will review the contractor's probationary status and possibly commission additional aircraft in 1996. The 1995 budget for the C-17 is \$2,472.9 million (APAF, Lines 6-7). The 40 aircraft are scheduled for completion in 1996.

The Army will have one heavy brigade set of equipment, consisting of two tank and two mechanized infantry battalions and support units, afloat by June 1994. The remainder of the equipment planned to be placed on ships will be loaded by 1998. Afloat prepositioning is allocated \$203 million in the 1995 budget (OMA, BAZ, Mobilization). The equipment set in Kuwait is being funded primarily by the government of Kuwait. The other equipment sets for Southwest Asia and Korea are still in the planning stages.

Concerning the Army prepositioning ships and additional surge sealift ROROs, the Navy is purchasing ships with moneys from the National Defense Sealift Fund. In 1995, the Navy has allocated \$609 million. All 19 ships should be purchased by 2001.

The RRF readiness improvements are funded in the Department of Transportation's budget across various MARAD line items. The readiness and responsiveness improvements funded since the end of Operation Desert Storm will cover all ships by 1995; these improvements will stay in place as permanent enhancements to the RRF.

The so-called "fort-to-port" improvements consist of improving rail and port infrastructure, improving command and control at ports and airfields, purchasing and prepositioning rolling stock and containers, and conducting training. \$187 million has been allocated to these initiatives in the 1995 budget (these funds are apportioned among OMA, OPA, and RDT&EA funding categories).

Navy Strike Capabilities. To improve the strike capabilities of aircraft carriers, the Navy is undertaking the following: providing a precision ground attack capability to many of its F-14 aircraft; beginning acquisition of new, highly effective anti-armor munitions for delivery by attack aircraft; and developing plans to fly additional pilots and F/A-18s to forward-deployed aircraft carriers that would be first to arrive in response to a regional contingency. These latter aircraft would increase the striking power of the carriers during the early stages of a conflict.

The 1995 budget allocates \$130.8 million for the F-14 ground attack improvements (APN, Line 23). Initial operating capability (IOC) for these F-14s will be in 1998, with program completion (210 aircraft) in 2003. 1995 Navy funding for the Joint Stand-off Weapon (JSOW)/Skeet amounts to \$25.5 million (RDT&EN, Line 132). IOC is scheduled to occur in 2000, with program completion scheduled for 2012.

Army Firepower. The Army is developing new, smart submunitions that can be delivered by the Army Tactical Missile System (ATACMS) and by standard tube artillery. Additionally, the Longbow fire control radar system will increase the effectiveness and survivability of the AH-64 Apache attack helicopter. The Army is also examining the possibility of prepositioning ATACMS and the Multiple Launch Rocket System (MLRS) and of having Apaches self-deploy from their overseas bases to crisis areas to be available in the early stages of a conflict.

The smart submunition referred to in this instance is the Brilliant Anti-tank (BAT) submunition. The 1995 budget allocates \$109.1 million to BAT development, including its carrier (RDT&EA, Line 121). BAT procurement is scheduled to end in 2006. ATACMS procurement for 1995 amounts to \$115.9 million (MPA, Line 14). ATACMS Block I procurement is scheduled to end in 1996; procurement for the BAT capable ATACMS is scheduled to end in 2006. The 1995 budget allocates \$117.6 million for the Longbow fire control radar system (APA, Line 18). The final Longbow conversion will be completed in 2009.

Air Force Bombers. Air Force enhancements will be in two areas: bombers and munitions. First, the Air Force plans to modify B-1 and B-2 bombers to improve their ability to deliver "smart" conventional munitions against attacking enemy forces as well as fixed targets. Second, the Air Force is developing all-weather munitions capable of attacking and destroying critical targets in the crucial opening days of a short-warning conflict. Of particular interest was improving our precision anti-armor capability by accelerating the purchase of Sensor Fused Weapons (SFW).

1995 funding to upgrade the B-1 bomber amounts to \$219.4 million (APAF, Lines 1, 21) for procurement and \$74.1 million (RDT&EAF, Line 67) for RDT&E. 1995 funding to upgrade the B-2 bomber amounts to \$449.5 million (APAF, Lines 2, 20). The B-1 bomber upgrades are due to be completed in 2004, while the B-2 upgrades will be finished in 2000. The Air Force's munitions emphasis is on Sensor Fuzed Weapons (SFW), which is allocated \$113.5 million in the 1995 budget (WPAF, Line 80). SFW procurement will be completed in 2002.

Reserve Component Initiative. Concerning the Reserve components, the Army National Guard has identified 15 brigades to achieve enhanced readiness, and the Army has initiated a number of programs to ensure that both the Army National Guard and the Army Reserve are better able to respond to crises. Among these are initiatives to increase the percentage of prior service personnel in the Reserve com-

ponents, to ensure Active component participation in the RC promotion process, to ensure Reserve noncommissioned officers (NCOs) attend the appropriate NCO schooling, to assess annually the medical and dental status of reservists, to increase the use of combat simulators in the RC, as well as to increase Active component unit responsibilities in training Reserve units. Of the 18 initiatives listed in Title XI, the Army has already fully or partially implemented 12.

No funds have been specifically allocated to these initiatives in 1995. By 1996, the Army will begin to allocate resources to these programs. Nevertheless, the Army had already instituted some programs to improve RC readiness prior to enactment of Title XI, including increasing use of simulators for training and integrating reserve NCOs into the NCO education system. Some costs, amounting to approximately \$23 million, are embedded in the Active budget to enhance RC training, training support, and inspections. The Army is presently in the process of disaggregating all such cost data to identify them more clearly in the 1996 budget.

Senator KEMPTHORNE. Secretary Perry, the proposed fiscal year 1995 budget would reduce the formula, by 1 percent, that the United States has traditionally used to calculate the cost of living increase for military personnel. Given the fact that military personnel are already behind their private sector counterparts in pay, won't this new formula insure that the wages of military personnel will gradually fall further and further behind workers in the private sector under the Clinton plan? If this is true, what impact will this declining salary have on recruitment, retention and readiness?

Secretary PERRY. The President's budget, calling for a temporary 1-percent reduction in pay increases, was based upon two principles—spending restraint and shared sacrifice. Budget discipline fosters economic strength that is vital to the Nation's long-term security. I suspect that our service members and civilian employees understand the need for certain sacrifices, and I hope that understanding will mitigate the effects on morale and readiness. However, readiness and force quality will be carefully monitored; if we see signs of a deterioration, we will take corrective action.

O&M FUNDING INCREASE

Senator KEMPTHORNE. Secretary Perry, the Department of Defense has passed out charts and graphs stating that there is a \$5 billion increase in Operations and Maintenance funding. However, as I understand it this budget counts peacekeeping expenses and environmental programs as "O&M" funding. Can you give me a breakdown on the O&M funding account? Also, how much funding does the 1995 budget provide for war reserves, major spares and depot level maintenance?

Secretary PERRY. You are correct in that the O&M accounts provide a wide variety of programs, including the Defense share of international peacekeeping efforts, aid to the former Soviet Union, disaster assistance programs, environmental restoration programs, and counternarcotic programs. The preponderance of the funding, however, goes to finance military operations and defense-wide activities in support of those operations. At the attachment is a break out by appropriation of the O&M Title. Amounts included in O&M for depot maintenance in fiscal year 1995 for both the Active and Reserve forces is \$7,232 million. Similarly, the amount for major spares is \$5,635 million. War reserve funding of 5.1 million in fiscal year 1995 is requested as a direct appropriation to the Defense Business Operations Fund and, as such, is not included in the O&M Title.

O&M TOA BY SERVICE BY APPROPRIATION

(Dollars in millions)

	Fiscal year 1993 actual	Fiscal year 1994 estimate	Fiscal year 1995 estimate	1993-94 change	1994-95 change
Army	\$22,582.4	\$19,248.4	\$21,524.3	\$-3,334.0	\$2,275.9
Army	19,232.8	15,940.4	17,821.0	-3,292.4	1,880.6
Army Reserve	1,037.2	1,075.1	1,253.7	37.9	178.6
Army National Guard	2,309.7	2,230.4	2,447.1	-79.3	216.7
Rifle Practice, Army	2.7	2.5	2.5	-.2	-
Navy	24,160.7	22,741.1	24,054.9	-1,419.6	1,313.8
Navy	21,248.0	20,037.2	21,227.2	-1,210.8	1,190.0
Marine Corps	1,968.8	1,857.7	1,918.4	-111.1	60.7
Navy Reserve	864.3	763.1	827.8	-101.2	64.7

O&M TOA BY SERVICE BY APPROPRIATION—Continued

(Dollars in millions)

	Fiscal year 1993 actual	Fiscal year 1994 estimate	Fiscal year 1995 estimate	1993-94 change	1994-95 change
Marine Corps Reserve	79.6	83.1	81.5	3.5	-1.6
Air Force	22,870.2	23,150.5	23,336.2	280.3	185.7
Air Force	19,066.1	19,182.8	19,077.0	116.7	-105.8
Air Force Reserve	1,241.8	1,335.4	1,479.0	93.6	143.6
Air National Guard	2,562.3	2,632.3	2,780.2	70.0	147.9
Defensewide and Other	21,153.2	22,661.0	23,946.0	1,507.8	1,285.0
Defensewide	9,073.2	9,489.6	10,223.1	416.4	733.5
Inspector General	126.1	137.6	128.2	11.5	-9.4
U.S. Court of Military Appeals	5.6	5.9	6.2	.3	.3
Summer Olympics	2.2	2.7	—	.5	-2.7
World University Games	5.3	2.5	—	-2.8	-2.5
World Cup	8.8	6.2	—	-2.6	-6.2
Real Property Maintenance Transfer	1,720.3	—	—	-1,720.3	—
DOD Reinvestment for Economic Growth	462.0	—	—	-462.0	—
Environmental Restoration	—	1,965.0	2,180.2	1,965.0	215.2
Drug Interdiction	—	868.2	714.2	868.2	-154.0
Defense Health Program	9,576.7	9,600.3	9,922.2	23.6	321.9
Humanitarian Assistance	148.6	108.0	71.9	-40.6	-36.1
Disaster Relief	24.4	15.0	—	-9.4	-15.0
International Peacekeeping	—	—	300.0	—	300.0
Former Soviet Union Threat Reduction	—	400.0	400.0	400.0	—
Payment to Kaho'olawe Island	—	60.0	—	60.0	-60.0
Total Obligation Authority	90,766.5	87,800.9	92,861.5	-2,965.6	+5,060.6
Financing Adjustments	-1,594.3	-935.9	+22.1	+658.4	+957.9
Total Budget Authority	\$89,172.3	\$86,865.1	\$92,883.6	-\$2,307.2	+\$6,018.5

NOTE: Total may not add due to rounding.

PEACEKEEPING OPERATIONS

Senator KEMPTHORNE. Secretary Perry, is it true that the DOD budget will be used to pay the U.S. share of the United Nation's assessment for Chapter VII peacekeeping operations under the new Presidential directive? Also, what is the estimated cost of this assessment in fiscal year 1995? Will DOD pay for Chapter VI assessments? Has the DOD budget been used before to pay the U.S. assessment from the United Nations?

Secretary PERRY. Under the provisions of "shared responsibility" the Department of Defense will be responsible for paying U.N. assessments for Chapter VII peace operations and those Chapter VI operations that involve U.S. combat units. The fiscal year 1995 budget request includes \$300 million for that purpose. While DOD funds have never been used to pay U.N. assessments before, we believe that when the United States has combat units involved in a U.N. mission, or when the operation is likely to involve combat, that the Department of Defense is better able to manage the interagency process. As the lead agency for these operations, DOD will not only assume the responsibility to fund U.N. assessments, but we will also be designated as the lead agency for the development and management of the policy.

READINESS

Senator KEMPTHORNE. General Shali, last year the service Chiefs, including the Chief of Staff of the Army, General Sullivan, testified that our forces were on the "razor's edge of readiness." The proposed 1995 budget includes additional cuts in defense spending. Will these cuts increase or decrease the readiness of our forces?

General SHALIKASHVILI. The cuts you refer to in the fiscal year 1995 budget will not decrease the readiness of our forces. Those cuts are in procurement; and I share Secretary Perry's assessment that they pose no danger. The force is being cut by a third, and fewer troops need fewer weapons. The defense build up of a decade ago

gave the military an adequate inventory of weapons that we can live off for a few years.

The fiscal year 1995 budget in fact, increases the readiness of our forces, funding for operations and maintenance and depot maintenance will increase 5.8 and 20 percent respectively. The compound effect of increased readiness spending and a smaller force would mean that in 1995 the Air force would have 11.7 percent more operating money per plane, the Navy will have 10.7 percent more per ship, and the Army increase works out to be 14 percent more per unit.

Senator KEMPTHORNE. Secretary Perry, the fiscal year 1995 R&D highlights include a \$377 million reduction in the B-2 program. Can you explain this reduction for me?

Secretary PERRY. The \$377 million reduction from fiscal year 1994 to fiscal year 1995 for B-2 Engineering and Manufacturing Development (EMD) reflects scheduled completion of development efforts. Because of the high degree of concurrency in the developmental program and the requirement to retrofit five developmental test aircraft to the final block 30 configuration, there will be a continuing need for EMD funds through the FYDP. With the exception of retrofitting early aircraft to the Block 30 configuration, the required level of funding will decrease developmental activities continue to be completed.

NATIONAL SECURITY PROGRAMS FUNDED IN THE DOE BUDGET

Senator KEMPTHORNE. Secretary Perry, can you comment on the national security programs funded in the Department of Energy budget? Specifically, will the fiscal year 1995 budget lead to unilateral U.S. nuclear disarmament because of a failure to move forward on a new source of tritium production?

Secretary PERRY. National security programs are funded at the absolute minimum level in the fiscal year 1995 Department of Energy budget. Funding for these very important programs must increase in subsequent years' budgets to maintain the safety, security and reliability of the U.S. nuclear weapons stockpile. A new source of tritium production is essential to ensuring the viability of the U.S. nuclear weapons stockpile. The decision on a new source must be made no later than March 1995 for the required funding to be included in the fiscal year 1996 budget.

FISCAL YEAR 1996 BUDGET

Senator KEMPTHORNE. Secretary Perry, can you tell me how much "savings", from the Bush administration's Defense Management Review (DMR) are included in the Clinton 5-year defense plan?

Secretary PERRY. The Department of Defense estimates that \$46 billion are included in the Clinton 5-year defense plan. This is an estimate because the Department no longer tracks DMR Decision savings, following the recommendation of the Odeen panel that tracking be discontinued.

ARMY MODERNIZATION

Senator KEMPTHORNE. General Shali, in December I read news stories asserting that an Army study had warned of possible equipment shortages because of defense cuts. Can you comment on that report? Also, are you concerned that the Army will lose its technological superiority because of the dramatic decline in Army procurement funding?

General SHALEKASHVILI. I am unable to comment on the specific newspaper reports; however, I can comment on the impact of the decline in Army procurement and its potential impact on our technological superiority.

The smaller the Army becomes as we continue to downsize our forces to meet the changing strategic situation, the more modern and technologically superior its individual elements must become to retain the needed capabilities. But modernization includes the process of integrating new doctrine, organization, training, leader development, and materiel to field a force with capabilities needed to wage warfare under our joint warfighting doctrine. Today's fiscal realities will limit the extent of new materiel procurement and favor modernization by component upgrade, referred to as Horizontal Technology Integration. Two of the most highly visible of these efforts include the "own the night" and digitization of the battlefield. The application of these enabling technologies across multiple weapons systems within the force provide a cost-effective approach to modernization that will maximize the return on the limited resources available for modernization.

Within the context of current fiscal limits, the Army budget provides a reasonable balance among the competing imperatives of readiness for current operations, sustainability for longer term conflicts, and investment in new capabilities. I will con-

tinue to monitor this balance through the PPBS process to ensure the Army is equipped to fulfill those missions the President and the CINCs might direct.

PEACEKEEPING OPERATIONS

Senator KEMPTHORNE. General Shali, the 1995 budget contains funds to train forces to perform peacekeeping operations. What type of training would this be and do you see peacekeeping responsibilities detracting from our forces warfighting capabilities?

General SHALIKASHVILI. I don't believe that peacekeeping responsibilities are currently detracting from our forces warfighting capabilities, but I do believe this is an area we must watch closely.

I expect that we will see a continuing series of nontraditional challenges for our Armed Forces in the future, from peacekeeping and humanitarian assistance to our counterdrug efforts. I personally believe these are things the military can do well. We must remain mindful, however, that our primary mission is to maintain a balanced fighting force prepared to fight our wars. A highly trained, balanced force is our best guarantee that we will be prepared to meet whatever challenges arise. This is especially important to keep in mind as our Armed Forces become smaller.

While we still have the capacity to participate in a number of nontraditional missions without large impacts on our warfighting capabilities, common sense would tell us there is an upper limit. We should continue to carefully review our participation in these operations on a case-by-case basis, with a cautious eye toward their cumulative impact on our ability to perform our primary mission.

Regarding the fiscal year 1995 budget and the types of peacekeeping training included, there are no budget line items clearly associated with peacekeeping training, per se. Here, I use the term peacekeeping in its broadest sense; what we are more apt to define as peace operations.

Peace operations encompass a wider spectrum of possible missions varying in scope, intensity, and duration. It includes all actions taken, either by the United Nations or regional organizations, under the authority of Chapter VI (U.N. Charter) or those Chapter VII operations not involving the use of unrestricted, intense use of combat power, to fulfill a mandate. These peace operations, therefore, may range from traditional peacekeeping (largely noncombat military operations, exclusive of self-defense), to aggravated peacekeeping, or peace enforcement.

As I noted earlier, while there has been much discussion about the need for special training to support peace operations, there are no significant funds set aside, or specifically identified for fiscal year 1995. However, we have routinely conducted some train-up for forces deploying in support of the Sinai peacekeeping mission. This effort has been relatively limited in scope and effect.

Generally, since the peace arena is so broad and due to the extent of resource constraints facing us today, our training efforts remain primarily focused on warfighting. Special additional skills are generally trained only when needed, and are aligned to very specific mission and task requirements. The resources to train these skills are drawn from the same funds as those required to train for combat. Our intention is to continue to prepare for real-world missions—assigned or anticipated—and those missions will remain the basis for our training efforts.

The CINCs and services, who are primarily responsible for mission execution, remain the primary trainers and managers of resources. USACOM, for example, has not budgeted any resources specifically identifiable for peace operations training for fiscal year 1995. To meet their responsibilities, including their joint warfighting training requirements, they will focus their efforts on Joint Task Force (JTF) training. These efforts are intended to lay the basis for both warfighting as well as peace operations. As another example of some things we are doing, many of our training centers have included some peace-specific tasks in their training scenarios. Again, however, these tasks have been included in otherwise normal (read warfighting) unit training rotations. It is difficult, therefore, if not misleading, to attempt to separate out the specific increments of resources used to support such efforts.

Regarding whether I see peacekeeping responsibilities detracting from our forces warfighting capabilities, I offer the following:

Clearly, there are costs associated with every mission we perform. Whether peacekeeping or warfighting, each mission necessarily limits what we can do in support of other missions. This is particularly noteworthy given the increasing resource limitations imposed by the current drawdown. There isn't a clearly quantifiable tradeoff (one-for-one or otherwise) between warfighting and peace operations capabilities. Depending on a whole host of variables—i.e., the mission, the region, the time/distances involved, environment, or the types and number of units involved—training and deployments for peace operations have probably helped, as well as hurt, our

warfighting capabilities. In fact, many of our units and people have gained invaluable experience over the past 2 or 3 years, while deployed on other than war types of operations.

There is a force structure issue, however, which concerns us and which we are still in the process of studying. For example, peace operations have demanded more of our combat support (CS) and combat service support (CSS) organizations than would be the case, if we were focused on strictly combat operations. For certain critical support units such as civil affairs battalions, tactical satellite companies, terminal service companies, and aviation maintenance companies—Active component—current requirements exceed the number of units available. This suggests the U.S. military may not be optimally structured to meet both our warfighting requirements and the new requirements associated with peace operations; more a problem of shape than size. Unfortunately, any significant attempt to reshape the force, i.e., increase the CS or CSS structure, would most likely have to come at the expense of combat power. The bottom line here, however, is we still need more information and analysis; we are not in a position to clearly define the nature or extent of the trade-offs which may be required.

Finally, training readiness will remain a concern for combat units. In spite of the experience gained, units involved in peace operations may require a retraining period before they are ready for another deployment—depending on type of unit, what missions they were performing, and duration of deployment. Further, time required for retraining will depend on the availability of training resources, unit size, training readiness level, and required unit readiness levels. Battalion-size units deploying for multinational forces and observers (MFO) duty in the Sinai required 3 months before and after the mission for training. In a worst case situation, a battalion-sized unit could require up to 6 months to retrain following a peace support operation. Six months is the approximate duration of a National Training Center (NTC) train-up and rotation. Brigade or division-sized units could require even more time for retraining due to the additional echelons likely to be involved and the wide range of resources which must be made available.

V-22 PROGRAM

Senator KEMPTHORNE. General Shali, does the proposed budget stretch out the vitally important V-22 program? Under this budget, when would the marines field the first V-22 aircraft?

General SHALIKASHVILI. Modernization of the Marine Corps medium lift helicopter fleet is certainly an important issue. The Department continues concurrent V-22 development and alternative Medium Lift Replacement concept exploration and definition to determine the most cost-effective way to satisfy operational requirements. We anticipate making this decision in September 1994. If the V-22 is selected, production will begin upon completion of the ongoing engineering and manufacturing development phase of the acquisition process. Within the current resource environment, our funding projections indicate a protracted V-22 procurement. We expect the first operational aircraft to be delivered soon after the turn of the century.

[Whereupon, at 7:05 p.m., the committee was adjourned.]